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*** ODTs Chairman Stoyan Ganev Profiled**

93BA0577A Sofia 168 CHASA in Bulgarian 18 Jan 93
p 16

[Article by Gergo Manchovski: "Ability of One Official To Give Presents With a Splash"]

[Text] *The former foreign minister has managed to keep his diplomatic suitcase even after losing his portfolio.*

On New Year's Eve, Stoyan Ganev hopped over to Moscow and saved the people of the country from the cold, with the graceful ease of a major internationalist, between two talks with his father-in-law. Doubts were expressed that he was the only one who should receive credit. No one asked him about it, but the important thing is that he has been vociferous in calling attention to himself.

Exactly a year ago a dispatch came from Tehran stating that he had solved our basic petroleum problems. One minor detail remained—the matter of paying for it. Even then there were doubts and jeers, but he kept on blowing his own horn. During his three years on the political scene he gave dozens of examples of a boyish need to impress those around him with his own importance. In this behavior of his we see evidence of weak self-control that is due to the predominance of instinctive emotional mechanisms over cognitive ones.

Stoyan Ganev did not survive as an ordinary, rank-and-file person like most people. If he was to be a komsomol member, he had to be a secretary. If he was to defend a dissertation, he had to do it in Moscow. Those around him had to notice him, talk about him, admire him. He had at all costs to escape from Pazardzhik and join the Party, even if he had to get down on his knees and beg for membership. And the young man advanced, helped up on one hand by Yaroslav Radev, and on the other by his fellow countryman General Semerdzhiev.

On 10 November the entire structure of his career to that point came crashing down. After his initial mistakes, he is now managing to change with the wind of change, probably on the advice of more experienced mentors.

Better educated, considerably more skilled in behind-the-scenes and out-in-the-hall games than the ordinary loudmouths at meetings, to a great extent reassured by those who drew up The Plan, Stoyan Ganev quickly fought his way to the top of the hierarchy in the opposition then taking shape. At the roundtable talks he was an expert, and later joined others to fashion the ODTs [United Democratic Center], becoming its first president. This allowed him to take his place in the front rank. Note that: only in the front rank.

In June 1990 he made his way to the front benches in the National Assembly, aided by the lamentations of Surchardzhiev and the inarticulate bellowing of a person carrying around a sign reading "BOSS." This left doubts in many people's minds that their choice was the right one. Afterward he was considered a black sheep, and as

such was saved from dismissal. Today many of those who saved him wince at the memory of this.

Mr. Ganev set about his work on the parliamentary scene with epic force. His every word expressed the fervor of complete rejection of communism and hostility to everything associated with socialism. He undertook the condemnation of the Soviet Union, repeatedly provoking the socialist deputies with his sarcastic comments. He displayed a negative fixation on Lukanov and the two of them often expressed dislike for each other, each of them seeking to brighten his own image.

At the beginning of December 1990, Stoyan Ganev was one of the six candidates for the top post in the SDS [Union of Democratic Forces]. The tendency to compromise then gained the upper hand and F. Dimitrov, the only one of the six not in parliament, was elected. He immediately launched an operation to take control of the party apparatus. Although barely perceptible, the outline of the rift between the founders and the recently initiated in the united opposition had already begun to emerge.

Stoyan Ganev continued his heroism in the National Assembly and at meetings. He was on the crest of the political wave. He surefootedly mounted the surfboard of anticommunist phraseology and crimped the sail of the opposition. Then it caught up to him.

In the spring of 1991 the framework of the new constitution of the Republic took shape, and it was time to look forward to the forthcoming parliamentary elections and outdistance slower thinking competitors for leading positions in the future candidate lists. Thirty-nine persons proved to be nimbler than the rest, and one of the most notorious staged events in modern Bulgarian history began in the middle of May. Our bright young man was again one of the standard bearers; he was incapable of being anything else. If he was to be an opponent, he had to be one of the stature of Lukanov. If he was to go hungry, he had to suffer "complications," and cooks all over the country had to worry about his health. He always found obliging doctors. They would either hook up a glucose system for him or would tastefully spruce up a piece of protest propaganda. It is no coincidence that for almost a half century they had been engaging in such propaganda in the area of their service. And the pay was not bad either.

During the preelection period Stoyan Ganev continued to be very active. On several occasions Georgi Markov stressed the credit due him for victory in the last elections, and this was no exaggeration. From city to city, from village to village, from meeting to meeting, black-haired Stoyan forged his own success and that of the conservative movement.

After 13 October he had the opportunity of choosing his position in the new government configuration. He selected the prestigious post of foreign minister, and in my opinion made a big mistake in doing so. It is not clear

whether he was advised to do this or was overcome by a thirst for international glory. Both factors probably played a part.

He underestimated two things. The first is that, with the exception of the relatively thin layer of recent komsomol activists in the SDS, the players in the set of delegates have been assembled from one place and another and do not represent a uniform selection. They have no permanent common interests, there is no significant social mandate, and there was absolutely no preceding common battle before they became aware that after 10 November they might be in opposing factions. A common origin in a university department or an institute of the Bulgarian Academy of Sciences is enough to qualify for the Alternative Socialist Association, or RDP, but many other things plus historical time are needed for a serious party structure working as a team and capable of surviving the president and its 12 founding members.

Setting out to conquer the world, Stoyan Ganev quickly lost his already feeble support. Without a reliable party structure behind him during his long absences from the country, he also was left without reliable information about the swift moving processes in society, and in the political arena in Bulgaria in particular. Ganetka and Venetka may inform him of some pieces of gossip, but they are not useful as purveyors of high-quality useful information. Trustworthy professionals and advisers are needed for this purpose. Minister Ganev himself distinguished himself from capable people by carrying out a brutal object lesson purge among competent people in the diplomatic department. Along the way he also thereby lost the earlier discreet support of the socialists.

For certain reasons there was a sharp decrease in the ability of previously all-powerful sponsors such as Semerdzhiev to help him. And no serious person can doubt that they did give him strong support earlier. A person does not become komsomol secretary in the law school for no good reason. It is not just because of a person's dark eyes that he is invited to deliver a prestigious dissertation in Moscow. Young outsiders are not given a lecturer's chair in the Ministry of Foreign Affairs. I do not blame Mr. Ganev for taking advantage of the opportunities presented to him in the recent past; I do not think that he has done any thing blameworthy. Unbecoming to the point of cynicism, however, is the fact that it was precisely he who waved his hand in

exhortation and demanded administrative and especially moral responsibility from people with a less privileged *nomenklatura* past. It is terrible for him of all people to rebuke "guilty persons" and place blame on conspirators.

Deprived of feedback about his actions and correction by his peers, the young minister quickly began piling mistake on mistake. He unceremoniously booted Stefan Tatrov, at the time a deputy minister, and he was one of the president's men. He then openly took sides against Mr. Zhelev in the matter of the intelligence service (168 CHASA, 10 March 1992). Later he failed to defend Ludzhev and sided with F. Dimitrov. He came very late to understand that on the road to Europe with Filip we will get no farther than Filipovtsi. The current panic-like change will hardly yield him any dividends. His interview in the 12 January 1993 issue of DEBATI has an air of confusion and fear about it, and these two are bad counselors. And the lack of a good adviser is to be discerned in the chaotic nature and absence of facts in his attack of "individuals who think that they are the SDS and have taken over the government in the name of the SDS in close cooperation with the former communist *nomenklatura*." The appeals to "those who support us, naturally intelligent people who believe in democracy" no longer work. These selfsame "intelligent" people will very soon defeat him. Oaths that "as long as I am alive I will not leave them in peace. I will not go on living in the knowledge that there are millionaires at the expense of faith in democracy and the cause of the SDS" cannot make up for the lack of specific information supporting his accusations. "Last warnings to them to resign" evoke jeers and pity.

Stoyan Ganev is experiencing a crisis with respect to evaluation of his personal political importance by those around him. His performance as foreign minister has not been rated highly in past analyses. On the contrary, he is harshly criticized for "wandering aimlessly in the political labyrinth," for his diplomatic course being "a series of improvisations, devoid of good timing and marked by neglect of professionalism." It has become clear even to the League of the Blind that the Venetkas and Ganetkas he has brought in are skilled in an area other than foreign policy. This field needs professionals, and he is driving them away.

His greatly exaggerated level of self-esteem has impelled Stoyan Ganev to actions clearly exceeding his capabilities, something that logically will lead to his failure. If he cannot succeed in establishing himself as an international official, a status toward which he is now working, the failure will be painful.

*** Czech Ambassador to Slovakia on His Assignment**

93CH0403A Prague CESKY DENIK in Czech 8 Feb 93
pp 1, 13

[Interview with first Czech ambassador to Slovakia, Filip Sedivy, by Michal Franek and Lucie Staudova; place and date not given: "Maintain Continuity of Relations"]

[Text] The first ambassador of the Czech Republic to Slovakia will be, after a formal approval by Meciar's cabinet, the former First Deputy Chairman of the Federal Assembly, Filip Sedivy (ODS) [Civic Democratic Party].

[CESKY DENIK] How did rank-and-file deputy Filip Sedivy become the first deputy chairman of the Federal Assembly?

[Sedivy] The answer is simple—because he was elected. In the sixth election period I was a member of the Presidium of the Federal Assembly. I also held an important position in ODS: I was a member of its executive council. ODS proposed me, as a member of the Federal Assembly Presidium, for this position during the coalition talks. And at the constituent session of the Federal Assembly I was elected.

[CESKY DENIK] What made you accept the offer to become the ambassador of the Czech Republic to Slovakia?

[Sedivy] I was attracted to this assignment because it is something entirely new and specific. Such a function has never existed before. It is a position which is not encumbered by too many protocol customs. Its significance will also depend on the abilities of the embassy.

[CESKY DENIK] Did the fact that as the first deputy chairman of the Federal Assembly you often met leading Slovak representatives also play a certain role?

[Sedivy] Certainly it did. I believe that it is absolutely essential for this function to be acquainted with most of the important Slovak politicians. Maybe not only politicians, but also other important people whom I had the opportunity to meet during the negotiations between ODS and HZDS [Movement for Democratic Slovakia] in the Federal Assembly.

[CESKY DENIK] Could you imagine in this post Miroslav Macek, who was also being considered for the position of ambassador to the Slovak Republic?

[Sedivy] Certainly I could.

[CESKY DENIK] In your opinion, what is the difference between an embassy in Slovakia and in other countries?

[Sedivy] This embassy will be something entirely different. The point is to maintain as long as possible a certain continuity of relations, closer than is usual between two states. And not only in the political and

economic sphere; on an informal level we should also manage to meet the needs of ordinary people. That is a specific which the Slovak side should accept. We shall strive for such a kind of relations between these two countries that are substantially closer to each other than any other countries in the world.

[CESKY DENIK] Aren't you afraid that the worsening relations between the Czechs and the Slovaks may influence your work negatively?

[Sedivy] I hope that these relations will improve. To judge something after only a month is premature. Whether the relations are good or bad will become evident in time, when some crisis develops. Events such as the currency separation are commonplace and were to be expected. I hope that relations on the people to people level will go forward. The same as economic relations, provided they are based on purely economic principles. For me the idea of borders is not as alarming as it is for many others.

[CESKY DENIK] When will you assume your post and when will the embassy start functioning?

[Sedivy] I shall assume my post when I am asked by the Slovak side to do so. It will be up to them to decide when to ask me to present my credentials. I hope it will be very soon.

[CESKY DENIK] Where will the embassy be located?

[Sedivy] In Bratislava on the embankment, in the building of the National Gallery. It is not definite yet, but that is not for me to worry about.

[CESKY DENIK] Have you selected your closest staff members?

[Sedivy] I am selecting them in cooperation with the ministry. It will take some time. It is not important for all the diplomatic and technical positions to be filled immediately. The question of the personnel should be resolved by summer. It also depends on whether the candidates will be willing to go abroad under the conditions which the Ministry of Foreign Affairs is offering them.

[CESKY DENIK] How many employees will the embassy have?

[Sedivy] About 10 to 15 diplomats and about 50 employees altogether. We would probably have a hard time now filling all the positions that will be necessary.

*** CR Seen as Potential European South Korea**

93CH0408A Duesseldorf WIRTSCHAFTSWOCHE in German 19 Feb 93 pp 34, 37-38

[Article by Reinhold Boehmer and Hans Jakob Ginsburg: "With a Cargo Truck—The Once-So-Desolate Outpost of East Europe Is Presenting Itself as the Economic Miracle Country for Western Investment Strategists"]

[Text] Is Gerd Lobodda fearful only of jobs in terms of francs or only of the wage level? The IG Metall plenipotentiary was complaining at Nuremberg that with its comparatively low earnings, the Czech Republic [CR] is currently developing into a "South Korea in front of our door"; low manpower costs, decent productivity, an economy-friendly government—and this is not happening on the other side of the world, but in a country whose capital city is closer to Munich and Stuttgart than it is to Dresden, Berlin, or Hamburg.

That which gives the willies to trade unionists is encouraging many a businessman. While investments in East Germany are losing their attractiveness, the Czech Republic is developing into a new miracle land for investment strategists. And this is happening despite the fact that Prague is not providing any kind of subsidies or more favorable treatment for investors.

Last month, when Prime Minister Vaclav Klaus wanted to persuade the industrialists of the Ruhr of the advantages of his country, he found doors open. The breakup of the old Czechoslovakia, the monetary turbulences, and problems the Czechs are having with privatization of former state property—these were all said not to be as important, in the opinion of a Klaus fan who was in the audience: "Everything is very simple: The Czechs have a productivity level similar to the level of the East Germans, except that in the new federal states the wages are currently approximately at 60 percent of the West German level—and in the Czech Republic, they are at a level of 10 percent."

A Czech specialized worker earns currently about 5,000 korunas [Kcs] per month, according to official statistics. Recalculated into marks, this is not even DM300 marks, even though the internal purchasing power of a koruna is double or triple its external value.

The earnings are beginning to climb. Industrial enterprises that involve foreign ownership are already paying their specialists Kcs6,000 or Kcs8,000 per month today. And in the services sector, according to Franz-Josef Brueggemann of the Delegate Office for the German Economy in Prague, businessmen are already complaining that wages are "galloping out of control."

Yet, in comparison with developments in the East German federal states, this is still a fantasy-like level for investors. And, in comparison with extremely low-wage countries in East Europe and the Third World, the qualifications level and performance abilities of Czech workers and white-collar workers are downright West European in character.

It is no wonder then that primarily German businessmen are seeking their opportunities along the long border of the Czech Republic among their neighbors and are finding them. The textile manufacturers Eterna Mode GmbH has opened several factories in the former Czechoslovakia since the turnaround of events in 1989. Small middle-class businessmen from Lower Bavaria, from

Oberpfalz, and from Oberfranken have established profitable production facilities in Western Bohemia that are "absolutely of Western quality, but unbelievably inexpensive," according to one Bavarian leather processor—in terms of their production for the Western market.

Thus, for example, envelope manufacturers in Germany realize DM14 per 1,000 envelopes. "At this price," according to Lothar Weiss, the commercial chief of the Otto Ficker AG at Kirchheim/Teck in Wuerttemberg, "no German manufacturer can produce this standard item at the moment." At the beginning of the year, the southern Germans, who are among the three largest German manufacturers of envelopes, took over 50 percent of the private Frances A.S. [stock corporation] in Prague. Thanks to its "extended workbench in the Czech Republic," according to Weiss, his enterprise can now produce envelopes DM5 cheaper than the competition.

But even in terms of high-priced production facilities, the move has proven to be worthwhile. For example, in machine building: simple lathes from the People's Republic of China cost some DM25,000 today. Enterprises in Germany would have to figure another DM35,000 in wages for the same products; in the Czech Republic, that figure is reduced to DM12,000.

For many machine-building enterprises, the Czech Republic thus offers a "one-time chance," according to Wolfgang Weider, partner in the UBM Business Advisory Company for Munich Businessmen GmbH. "Instead of letting Czech business enterprises compete with us, it is better to buy up future competitors."

The most important German investor in the Czech Republic by far is, thus far, Volkswagen AG. Following VW, the 30 sub-suppliers have followed suit. This has resulted in the predominance of Germans among foreign investors in 1991.

Now, enterprises from other West European countries are increasingly being attracted to the east. French enterprises are investing primarily as landlords in the metropolis of Prague, which is catastrophically under-supplied with modern office space and hotel accommodations; Air France has recently joined the hitherto low-capacity Czechoslovak Airline Corporation.

The American cigarette giant Philip Morris has purchased the Czechoslovak Tobacco Industry Corporation at Kutna Hora—a virtually risk-free investment: The international nonsmoking wave has thus far not affected eastern central Europe and, given the great revolution in all living conditions, consumers are staying with their popular brands.

Eberhard von Koerber, board chairman of Asea Brown Boveri [ABB] at Mannheim, is investing with the Czechs in accordance with the "philosophy of the closest customer proximity."

This means that ABB can only deliver turbines, energy equipment, and rolling stock to countries of the east that

are threatened by massive unemployment, if the price is right and if parts of these devices are produced there.

According to insider information, East German energy supply enterprises are placing no orders with Western concerns if 10 to 50 percent of the value of the resources do not remain within the country. Large-scale vendors must also figure on similar expectations if the Czech or the Polish public is the customer. It is on the basis of this calculation that ABB has increased the number of employees in the Czech Republic during the first weeks of this year from a few collaborators to 6,400.

Production conditions and the market have been able, thus far, to veil the greatest shortcoming in the new economic miracle country: in comparison with Western countries, its clumsy and incompetent bureaucracy. "But nothing will improve here," feels a Western diplomat stationed in Prague: "The good people are leaving the state service for the private sector and the government is ignoring the problem." And Prime Minister Klaus wants to hear nothing with regard to subsidies or special privileges for foreign enterprises.

How long this will still hold good and how long Prague can get by without subsidies is an open question. Trade Minister Vladimir Dlouhy is already attempting to change course carefully: During the negotiations involving the joining of the Plzen Skoda Plant by the Siemens AG, where the principal matter involves guarantees and advantages for the German concern, the minister was pushing for a flexible Czech negotiation course.

Dlouhy was clearly afraid that without such flexibility, the dream of the economic miracle could soon be ended. "We are not competing only with Slovakia for foreign capital," says investment-promotion expert Josef Dusil, "but also with Hungary, Ireland, and Portugal." There is no mention of the former GDR here.

* KDS Deputy Discusses Party's Views

93CH0403B Prague CESKY DENIK in Czech
11 Feb 93 p 3

[Interview with Deputy Chairman of the Chamber of Deputies Pavel Tollner by Viktor Krejci; place and date not given: "KDS Reservations About the Office of the President"]

[Text] In connection with today's meeting of the chairman and deputy chairman of the Chamber of Deputies with the president of the republic, we requested an interview with Pavel Tollner, KDS [Christian-Democratic Party] deputy chairman of the Chamber of Deputies.

[Krejci] What would you like to talk about with the president on behalf of your deputies' club?

[Tollner] The subject of the meeting will be mutual relations of the parliament with the president. I believe

that the parliament has, among other things, the right to ask about the way the Office of the President functions. In this respect I can say that the KDS club does not like the fact that L. Dobrovsky remains as the director of the office, because his handling of it is unfortunate. I hope, therefore, that the president will give this matter more thought.

[Krejci] As far as I know, your club has reservations also about the budget of the office. Can you tell us more about it?

[Tollner] Yes. Our deputy M. Lobkowicz proposed to reduce the budget of the Office of the President. It concerns mainly those employees whose presence in the Castle is not essential.

[Krejci] Can you give us a comparison of the Office of the President with the Office of the Chamber of Deputies?

[Tollner] The office that ensures that the entire parliament functions properly has a staff of roughly 130 people. I believe that the Office of the President, apart from the employees who take care of the purely technical side of running the Castle, should be commensurate with the size of the staff in the Office of the Chamber of Deputies.

[Krejci] Will you then propose an amendment of the law on the Office of the President?

[Tollner] Yes, an amendment must be passed. The status of the president, as it is laid down in the Constitution, should not provide occasion for building some kind of fourth power in the state. That is what we are always afraid of.

[Krejci] Now I would like to ask you about another matter. Part of the public perceives the effort of your party to push V. Benda into the position of deputy prime minister as a purely personal effort to gain some kind of position. Also contributing to that perception is the fact that filling that position is tied to the possible establishment of the Provisional Senate, because it is known that V. Benda is also trying to get the position of its chairman.

[Tollner] The wording of the resolution, which the republican representative committee passed, says that KDS commits its leadership to initiate proceedings on filling the position of deputy prime minister by a KDS member. To our mind, that would introduce stability also into other elements of the coalition.

[Krejci] But, coming into office, the government insisted that it will not establish any deputy prime ministers without portfolio, and that it will be downsizing.

[Tollner] This deputy prime minister should not be without portfolio. He should coordinate the work of those ministries whose work touches on, for example, the problems of churches, human rights, or refugees. This whole matter basically is about redistribution of powers in the government, and the solution we propose would be practical also for the working of the coalition.

[Krejci] Why then the wait for the decision on the establishment of a Provisional Senate?

[Tollner] The position of senate chairman will be filled by election, and therefore an a priori claim to this function is inappropriate.

[Krejci] Your position then is that your party wants to fill the function of deputy prime minister without regard to how and whether at all the question of the senate is resolved?

[Tollner] Yes. And what is more, this demand of ours is not new. We already proposed such a solution earlier. Nevertheless, we find that as events progress, our view on this matter is not accepted.

* Different Aspects of Romanies' Problem Viewed

* The Majority Stance

93CH0402A Prague LIDOVE NOVINY in Czech
10 Feb 93 p 1

[Editorial by Jiri Hanak: "Problem"]

[Text] There is no doubt that the Romany minority in the Czech Republic has its unquestionable and inalienable rights. But there is just as little doubt about the fact that we, the non-Romany majority, also have the same rights. Somehow, up till now, it has not been the "done thing" to mention the rights of the majority. Therefore it is a good thing that the Czech prime minister said what he did: that there is a feeling of threat on both sides. The mutual violation of rights in coexistence, which is close to an armed truce, demands a solution.

Recently on television we saw a Czech woman who, when asked "What should be done about the Romanies?" answered after brief hesitation, "Exterminate them." Cannibalism represents one extreme. The communists worked on the other for a long time. By bribing the Romany minority, they bought peace and were able to pretend that no such problem existed. But it does exist, and the nascent civic society in the Czech Republic is bearing the brunt of its full impact.

There is no solution in sight, and it is doubtful that anyone knows how to deal with it. But total inactivity is also not a solution, because various desperadoes happily swing into action wherever there is no law. In this case, it is the skinheads and sooner or later this can create a response in the form of Romany armed storm troops. Let us make no mistake: The skinheads do not care whom they beat up, and the Romanies are merely an easily accessible target at this time.

The so-called Jirkov [northern Bohemian city which has restricted Romany immigration] Ruling tried to fill this void of impotence. Prime Minister Klaus called it invalid and unlawful. No doubt justifiably. The mayors of venerable Czech towns who adopted this ruling, however, acted in good faith, acted in the knowledge that

doing nothing would be untenable, they acted in those areas where the arm of the law has failed so far. As long as the police continue to be forced to set free apprehended criminals as soon as they have written up the report, robbery will become a legitimate means of making a living for a certain type of citizen in this country. As long as breaking into empty apartments and constant nonpayment of rent will be tolerated in silence, this solution to the housing problem will become matter of course and will be contagious. The threat to our democracy by skinheads and Sladek voters will grow proportionally to the degree to which some parts of Czech towns will be dangerous for the average citizen.

Democracy must defend itself, it has a duty to do so. The Jirkov Ruling tried to do this. The Czech prime minister said it was unlawful, and he was doubtless right. But if the law does not fill the space in this issue that has so far been vacant, greater damage will be caused by the lawful inactivity.

* Romanies' Demands

93CH0402B Prague MLADA FRONTA DNES in Czech
15 Feb 93 pp 1-2

[Interview with Jan Rusenko, member of the Council of Romanies' Democratic Congress, by Tomas Klvana; place and date not given: "The Government Is Mistaken If It Believes That the Romanies Will Quiet Down Again"]

[Text] Jan Rusenko is a member of the council of the Romany Democratic Congress, an umbrella organization which unites 19 Romany organizations in the Czech Republic. Several days ago he submitted the Romanies' demands to Prime Minister Klaus, and the Czech cabinet held debates on them last week.

[Klvana] How did you react to the talks with Prime Minister Klaus 10 days ago?

[Rusenko] I hoped that the government would finally do something and would confront our problem. But there is no evidence of this. Nothing specific issued from the government meeting, not one of our demands was fulfilled, nor were any concrete measures adopted.

[Klvana] In your opinion, how can one deal with the social inconstancy of the Romanies and the ensuing crime and other problems?

[Rusenko] Above all, one must start with the preschool education of children. Then one must generically influence young people and the middle generation through enlightened and cultural activities. We must also educate them toward parenthood. Our proposal to the past government included all these programs. We were just waiting for it to start. You see, the totalitarian government treated the Romanies the same way as the present one. I would not be at all surprised if the Romanies voted for the communists because they, at least, did not drive

them out of the country. The government is now suggesting that things be delayed, that we wait, and it thinks that the Romanies will quiet down again. But this time it is mistaken.

[Klvana] What is the state of the Romany citizens in the Czech Republic?

[Rusenko] Due to economic reform and the absence of a social program after the revolution, the Romany population was totally devastated. The government did not reckon with national minority citizens who carry the stigma of persecution by the past regime.

[Klvana] What ideas do you have for a government program for the Romany community?

[Rusenko] We described our ideas explicitly in a plan we submitted to the past government. In the fall of 1991 five precepts for eliminating the inequality of citizens of Romany nationality were approved. These five precepts were given to individual departments to process. Nothing happened. In the fall of last year when Prime Minister Klaus assumed office we reminded him of them, and the prime minister told us that he did not even know that they existed. This gave us a good picture of how Pithart's government worked. The culmination of its work was the preparation of a secret scenario for the exodus of the Romanies following the division of the republic.

[Klvana] Did you see the scenario?

[Rusenko] Ladislav Body, delegate for the Left Bloc could give you reliable information on the scenario. At the time, the Romany Civic Initiative submitted a protest and demanded the dismissal of Minister Sokol, since it was his work.

[Klvana] Do you insist on giving Romanies preferential treatment over and above other nationalities when they apply for Czech citizenship?

[Rusenko] That depends on how the question is phrased. If it is placed on the level of preferential treatment, this nation is against itself. We did not want the state to be split. Therefore, as former citizens of Czechoslovakia, we cannot bear the consequences for the division of the state. Each citizen of either republic should have the right to choose what citizenship he wants. It should not be assigned administratively. The Law on Acquiring Citizenship is aimed against the Romanies, it aims to get rid of criminal elements. But even a criminal has a right to citizenship according to the Charter of Basic Human Rights and Liberties. Therefore we insist that the discriminatory conditions—two-year permanent residence in the Czech Republic and the condition of a spotless record be removed.

[Klvana] Why do you consider these conditions to be discriminatory, since they apply to everyone?

[Rusenko] They would only apply to everyone if the law viewed everyone the same way. But the law does not take

this approach. The proof is the Jirkov Ruling, the skinheads, the spread of fascism and racism, and the creation of an anti-Romany psychosis.

[Klvana] What's next?

[Rusenko] You'll see that on Monday (today) at the news conference.

* Criminality Viewed

93CH0402C Prague LIDOVA DEMOKRACIE in Czech
16 Feb 93 p 3

[Article by Petr Horejsi: "If I Were Not a Delegate, I Would Probably Steal, Too: Romanies Refrain From Conflict"]

[Text] Following the skinheads' campaign against the Romanies in Pardubice, the Petition Committee of the Romany Democratic Congress (RDK) insisted that the government and parliament fulfill several demands. Among other things, it demanded that the Law on Prohibition of Racists Groups be observed and that an amendment to the Law on Citizenship be passed. The conclusion of the declaration states that unless the government seriously starts to deal with their problems, the Romanies will declare a hunger strike and later they will create illegal storm troops. At an extraordinary meeting of the RDK on 11 February, its representatives declared that, unless the government immediately initiates further talks and invites Romany representatives to these talks, they would proceed with protest actions. However, the latter would not be racial conflicts but merely non-violent actions—marches, demonstrations, and hunger strikes. "Allegedly, the government will deal harshly with any call for pogroms or racist marches. If this was meant seriously, the reason for defensive actions will be eliminated and we will not need to form any illegal groups," said the press spokesman of the RDK, Jan Rusenko. As Rudolf Tancos from the Democratic Union of Romanies said following talks with Vaclav Klaus, though only promises were made, the Romanies still trust the prime minister. "The measures approved by the government of the CR [Czech Republic] and the creation of advisory centers at the OU [District Office], is derivative to democracy in this country and also demonstrates nonrecognition of the Constitution. It is merely a return to totalitarian methods," said Jan Rusenko. Yesterday's news conference was only attended by a single Romany parliamentary representative, Ladislav Body (Left Bloc) who proclaimed that the Romanies have returned to a 17th-century life-style. "If I were not a delegate, were unemployed, and were to have the opportunity to steal something in order to feed my family, I, too, would steal," said Ladislav Body in relation to Romany crime.

* Czech Monetary Policy Outlined

93CH0373D Prague EKONOM in Czech 4-10 Feb 93
pp 15-16

[Article by (SAT): "Monetary Policy"]

[Text] The Czech National Bank (CNB) took over from the former Czechoslovak State Bank the role of the central bank, which is, in accordance with the law of the Czech National Council No. 6/1993, entrusted with carrying out monetary policy. We asked the CNB deputy governor, Eng. Jan Vit, to explain to us what the monetary policy of the Czech Republic in 1993 will be like.

Starting Conditions

The point of departure for our monetary policy in 1993 is the state of our economy at the close of last year, the current developmental trends and the instruments of monetary policy with which they can be influenced or changed. In 1992, the goals set by the central bank for monetary policy were met to a considerable extent. From the macroeconomic point of view, we were able to stop the economic downturn and the decline in the GNP (data for the fourth quarter of 1992 are not yet available, but, if there was an increase in the GNP, this indicator, at the very least, has stabilized), and this development was accompanied by a relatively tolerable rate of inflation, a balance-of-payments surplus, and a stable exchange rate. The second goal was to build a modern money market, and, although in this field, there still exists an enormous amount of disharmony and the whole system is not yet integrated, its foundations are already in place. These facts represented the basis for setting the monetary policy by the Czech National Bank for this year.

Favorable and Unfavorable Factors

The overall prediction for economic developments in 1993 is based on the fact that the basic conditions for stopping the decline, possibly increasing the efficiency of the Czech economy, were created. The inefficient productions have already been eliminated to some extent, and new demand is developing, including investment demand, as the developments in the last period of the previous year show; for example, imports of goods for investment purposes increased.

Working against this favorable trend, however, are two burdensome factors: One is external—namely, the unfavorable market conditions, especially in Europe, where a significant increase in demand, generally, and for our goods in particular cannot be expected. An external stimulus to help our economic activity and growth in production is therefore not very likely. The second, an internal factor, is the consequences of the division of the former Czechoslovakia because the breakup of one large market into two small ones never results in gains, only in losses. This assertion is supported also by the calculation made by the Czech National Bank, and, although it contains some measure of estimates, it is not entirely unrealistic: Mutual trade between the Czech Republic and the Slovak Republic is expected to decline by about 15 percent this year. One of the main factors is the fact that the free transfer of resources from the Czech lands to Slovakia, which represented about 20-25 billion

Czechoslovak korunas, will obviously cease. Therefore, on the Slovak side, there will not be enough resources to pay for Czech goods.

Goal of Monetary Policy

The basic task for every central bank is to stabilize the currency. That means to first stabilize the exchange rate and to then keep inflation at the lowest possible level, with the help of monetary instruments. The Czech National Bank does not expect, as a consequence of the start of the new tax reform and the jump in prices related to it, that inflation will be lower than in 1992. It estimates the price increase at 14 percent and considers this rate of inflation for 1993 an acceptable outcome.

Instruments for Keeping Inflation at a Minimum

In spite of the fact that conditions under which the Czech economy will be developing this year are complicated and difficult to predict, the Czech National Bank does not intend to use nonstandard—that is, administrative—instruments (such as setting maximum interest rates, credit limits, and so forth). In implementing the monetary policy, it wants to continue using the “usual instruments but in an unusual way,” which Eng. Vit illustrated with a concrete example: “If the currency separation means a technical problem in exchanging an enormous amount of paper money, it is obvious that the best solution is for the public to put its cash into banks or savings institutions. In such cases, there would be a sharp rise in bank resources, for which the banks either would have no use, or they could turn them into credits and flood the economy with money. The policy of the central bank in such a situation cannot be expansive—that is, the volume of refinancing credits cannot be increased—but it must be very careful lest the temporary surplus of money in the banks cause inflationary pressure. From the standpoint of the mentioned use of the ‘usual instrument in unusual ways,’ it means that, obviously, there will be a mandatory increase of minimum reserves of commercial banks in the central bank, which would basically neutralize part of the resources.” Beginning in February, therefore, the mandatory reserves in time deposits should be increased 1-4 percent and, in demand deposits, 3-12 percent.

Another instrument that will come into consideration is regulation of the extent of refinancing, specifically its reduction. However, a certain volume of refinancing must be preserved in view of the existing structure of the bank money market because many smaller banks do not have automatic access to deposits or resources on the money market, and it would greatly aggravate their situation if refinancing by the Czech National Bank were to be completely interrupted.

The declining volume of purely refinancing credits is to be replaced by the so-called repo operations, which means that the Czech National Bank will provide cash in the form of buying back securities from the portfolios of commercial banks. If commercial banks need cash, they

will sell to the central bank securities (State Treasury bills) they are holding. It actually amounts to a change in the structure of their assets. The central bank expects a gradual introduction of this change in refinancing, so that, at first, the mandatory covering of these refinancing credits by securities would represent, for example, about 20 percent, and an increase in the share in the course of time. That obviously assumes a sufficient supply of securities in the portfolios of commercial banks.

Another instrument for resolving the problem of excess liquidity is for the central bank to issue its own treasury bills, which means that the Czech National Bank will make an offer to the commercial banks to buy back interest-bearing bills of exchange. However, this instrument for reducing liquidity is not too advantageous from the standpoint of the central bank because prepaid interest represents a loss for the bank.

All of these, therefore, are standard methods of monetary policy, which, in the event of significantly unfavorable developments, could be used to an exceptionally high degree.

Instruments for Maintaining Exchange Rate

Central banks of countries where linkage and integration into the international division of labor are significant enough so that differences between the domestic and external economic environment almost disappear often do not set specific goals for their monetary policy—for example, in respect to inflation, the GNP, employment, and so forth. They have only one goal—maintaining the exchange rate, which is basically a synthetic indicator of the success of domestic economic policy. For the time being, the monetary program of the Czech National Bank does not look that simple because the entire array of monetary instruments still remains to be completed. In this area, the Czech National Bank must first of all organizationally ensure the functioning of the foreign currency market. In case of need—for example, if it becomes necessary to bridge a period of intense growth of investments—it must be able to find the necessary resources to cover a demand for foreign currency reserves and, later, to repay them, even from the export earnings of the new capacities if need be.

For the complicated period of this year, therefore, significant changes of the already existing system of internal convertibility are not expected. More likely, there will be fine-tuning and stabilization of the system under the new conditions of the Czech Republic.

Basically, it can be said that no special instrument of monetary policy will ensure the stability of the exchange rate and foreign currency reserves. Success in this area is an overall reflection of the success of the central bank's policy—above all, of its ability to withstand inflationary pressures.

Monetary Arrangement With Slovakia

From the macroeconomic point of view, the monetary arrangement between the Czech Republic and the Slovak Republic obviously has an influence on monetary policy. Basically, however, as soon as the cost of maintaining common currency exceeds the advantages that flow from common currency, there will necessarily be a currency separation, and the situation will stabilize at a different level. "Personally," says Eng. Vit, "I think it is not decisive what form the monetary arrangement between the two republics takes. If we are unable to agree, or if there is a divergence of economic policies or other interests, there will be currency separation. Otherwise, we shall work for some time with the current scenario and the monetary mechanism between the Czech and the Slovak republics, but the economic consequences on the growth of economic activity and the maintenance of currency stability in the Czech Republic should be more or less the same."

Currency Separation Does Not Equal Currency Reform

Fears that currency separation could affect the value of the koruna or the value of savings are unnecessary. "No one anywhere ever contemplated that the exchange rate of the Czech koruna against foreign currencies after a currency separation would be different from the exchange rate of the Czechoslovak koruna," confirms Eng. Vit. And, understandably, neither can there be a change in the value of the people's savings. At the moment of separation, the assets other than cash (that is, deposits on accounts and debts) will merely change from Kcs to Kc. Nothing else will happen.

The main technical problem will be the exchange of the money in circulation. Basically, it is not expected that coins, which represent only a small percentage of the value of the total amount of money in circulation, will be exchanged all at one time. They will be withdrawn from circulation gradually. As far as paper money is concerned, it obviously will be necessary to set a certain limited amount that will be exchanged during the first phase, and the rest will be released within several days. Until that time, it will be deposited on a savings book of a certain type or against some vouchers, receipts, and so forth. In the intervening time, all of the withdrawn money will have to be stamped so that it can be returned to circulation. During phases 1 and 2, transactions will be carried out in both stamped and unstamped money. A special arrangement will obviously have to be made for legal entities, which also have cash, especially for trade. Also, a measure will be passed that will make it possible in justified cases (for example, if the owner was abroad at the time of the currency separation, and so forth) to exchange money even after the conclusion of the exchange process. At the moment, if a currency separation occurs in one state, it will de facto also occur in the other, even though, in theory, a situation may arise when the exchange of paper money will be carried out, for example, in the Czech Republic, and, in Slovakia, the unstamped paper money of Czechoslovak currency will

continue to be valid, which, of course, will at that moment become Slovak currency only.

We cannot hide the fact that the currency separation will be a complicated technical operation. But it is being planned in such a way that its practical realization will "inconvenience" the public as little as possible.

* Implications of Currency Separation Assessed

93CH0370A Prague TELEGRAF in Czech 3 Feb 93 p 5

[Commentary by Peter Schutz: "End of Czechoslovak Currency: Sovereign Koruna Worth 80 Halers"]

[Text] When at the end of the year I conducted a small private survey of some renowned economists, I had the feeling that someone here desperately does not understand something. Either Slovak politicians and financiers, who practically swore on their life that the common currency will last for the projected six months at the minimum, or my respondents, who just about doubled up with laughter at the mention of such a guaranteed term and in unison cited only a fraction of that time. Economics, as it happens, knows a category of the so-called expectations. Some events are fairly predictable, and if two draw diametrically opposite conclusions from at least approximately identical data, it clarifies nothing. One of them simply does not understand it. Today, at the dawn of the second month of sovereignty, we already know who it is.

On Tuesday, 2 February, V. Klaus and V. Meciar announced simultaneously, each on his television, definitively and irrevocably the separation of the currency. It was implemented after the appropriate laws were passed in the national councils. Therefore, currency separation is no longer merely a subject of discussion but a fact. However, what still remains a subject of debate, or rather will become one, are its consequences. According to V. Klaus, who certainly is no "scare-monger," the currency separation will cause decline in mutual trade and a consequent decline in enterprise production and increase in unemployment, and without doubt will negatively influence the future economic development of both republics.

These facts are not challenged, of course, even by the false prophets of the functionality of the separation, even though in Slovakia, at least in the official circles, they are not talked about much. Deception and absolute dilettantism is now being manifested, for a change, in the matter of devaluation, which will undoubtedly be the direct and first consequence of the separation. Julius Toth, for example, does not see any reason to devalue the Slovak koruna, "because at this time the balance of trade with the Czech Republic and other countries is not yet known"—as if the exchange rate of a currency depended exclusively on the evaluation of the current movement of exports and imports, that is, the balance of payments. It is hardly surprising that Meciar no longer takes him along to important negotiations....

Unfortunately, he himself is duping the already quite confused nation. In his Sunday television program Okenko [Window] he presented the question of the value of the Slovak koruna as a not quite resolved dilemma between revaluation, maintaining the present exchange rate, and devaluation. With great wisdom he did not recommend revaluation, saying that "it would not be worthwhile to do it for just a few weeks, because after that the ratio between the credits and the amount of money in circulation would balance itself out." Concerning devaluation he mentioned—as just some marginal opinion—that there are some who recommend it.

If Meciar were a responsible politician, he would tell the truth: Revaluation does not come into consideration even in an erotic dream, and we can try to maintain as long as possible the one-to-one exchange rate, but trying is really all we can do. It may cease to hold as early as the first few days after the money is exchanged. The value of the Czechoslovak koruna was the result of two joined, interlinked economies—the weaker Slovak and the stronger Czech. The universally lower efficiency of the Slovak economy, with its generally known higher export intensiveness and weaker export productivity, is a given that will without any doubt sentence the Slovak koruna to devaluation. If in spite of that the exchange rate were to be artificially overvalued, the frontal assault on the foreign currency reserves would end the brief era of internal convertibility in Slovakia. That, of course, would also signal the end of the entire economic transformation.

However, the citizen who elected Meciar still does not know this and therefore is acting irrationally. In Slovak, devaluation can also mean depreciation. In spite of the fact that throughout January a one-way transfer of money from Slovakia to the Czech Republic was under way, its supply in the banks grew. The public would be acting more wisely if, instead of making astronomically high deposits condemned to depreciation, it would spend at least some of the money on making purchases.

The currency separation and its direct consequences are a moment that will remind even those, who so far have not had any reason to acknowledge it, that we are now truly living in two entirely independent states. According to the most conservative estimates, the voter who elected Meciar, Weiss, and Prokes robbed himself and his innocent fellow citizens of 20 halers out of each koruna, just to begin with. That is the amount by which the Slovak koruna will fall in comparison to the Czechoslovak koruna.

The Czechoslovak koruna was the most stable and most dependable currency of all the currencies in the post-communist countries. I do not know what will happen to the Czech koruna, but for the Slovak koruna it will certainly not be a rosy scenario. One of the stabilizers of currency is the confidence in which it is held not only by the population and the business community at home, but abroad as well. And I have the feeling, and the course of

the currency separation confirmed it again, that the Slovak Government and financiers are no guarantee of that.

*** First Wave of Coupon Privatization Concludes**

93CH0357C Prague *EKONOM* in Czech 21-27 Jan 93
p 21

[Commentary by Eva Klvacova: "Coupon Privatization—The End of the First Wave"]

[Text] The first wave of coupon privatization ends on 31 January 1993. During February, each holder of investment coupons is supposed to receive a final letter from the Center for Coupon Privatization and then in April and May a confirmation of ownership rights in the form of a note from the Center for Securities. The conclusion of the first wave of coupon privatization is an opportunity for its preliminary evaluation and for comparison of the basic expectations and reality.

The citizens' interest in coupon privatization was enormous and surpassed all expectations. From the standpoint of the final result, it is not very essential that in many cases the motivation of rapid acquisition of financial resources played a greater role than a motivation of the entrepreneurial type. Practically all the property offered was sold, both high quality and of lesser quality, and on the coupon privatization market shares of both effective and progressive stock companies and the shares of more problematic enterprises did well. In more specific terms, there were 277.8 million shares sold of the overall number of 299.4 million shares, that is, 93 percent of the state property offered. Only 100-million investment items of the overall number of 8.5-billion initial investment items, that is, approximately 1.18 percent, remained unclaimed. By its internal substance, coupon privatization has made it possible to rapidly create a social consensus on privatization in general and has freed up the path to other privatization methods as well. Because of the interest in it, it could still be applied on an even more massive scale and it would be possible to sell property that is currently in caretaker status and for which the next owner looks to be the national property fund.

Among the expected and fully positive aspects of coupon privatization is undoubtedly the determination of the relative prices. The iterative process of creating a broad spectrum of share prices is currently the orientation point for foreign investors, as well as for domestic entrepreneurs.

The evaluation of the speed at which coupon privatization is taking place is not so unambiguous. The equivalent nature of the privatization methods under the law, the conflicts of interest among the originators of the competing privatization projects, the multilevel process of their approval, and the delay in decisionmaking on beginning coupon privatization were factors which put off the determination of the private owners.

The mechanism for the iterative determinations of the rates for shares worked in the same direction. It is a fact that the time span between the decisionmaking on privatization and the determination of the actual owners was to a large extent use, or rather misused, for the active submerging of the privatized enterprises under the water, for running up their debts, and for wildcat privatization. It is, of course, a question of whether and how much it was possible to avoid this negative effect. The hierarchy of the approval system for privatization projects established by the law on large-scale privatization did not come about by accident, but was the consequence of a concept of the role of the state in the past social order and its survival until the present time, the practical ignorance of alternative solutions, and the economic interests of the decisionmakers throughout the pyramid.

The system of repeated determination of the rate for shares which slowed down the speed of the coupon privatization at the same time fulfilled an irreplaceable role. The decision to reduce the extent of the preprivatization agony, for example, by changing the enterprise management to partially that of the owners, which made it possible to orient the behavior of management and concurrently did not create a blockage in the practical running of the privatized enterprises, was more or less politically incompatible with regard to the public's connection, often a fanciful one, between the management and the government formerly in power.

As measured by the number of privatized enterprises and the extent of privatized property in comparison with the analogous numbers in those countries where privatization has already been carried out, the speed of determining the number of private owners through coupon privatization appears positive, despite the facts cited above. Many of the new owners will, of course, have all the basic rights of ownership, such as the rights of possession, disposition, and utilization, but they will not be owners in the sense of the responsibility for acquiring the property and they will have a tendency to get rid of it rather than to take care of it. It is necessary to correct the actual speed of coupon privatization by the time period that it takes before the property of an entrepreneurial type gets into the hands of citizens of an entrepreneurial orientation.

It would be premature to evaluate the aggregate effectiveness of coupon privatization, and it is possible only to formulate a preliminary hypothesis that speed and effectiveness are the same thing from the long-term standpoint. Coupon privatization has dealt the cards for entrepreneurial activity by private owners, nothing more and nothing less. It dealt out state property, but it did not increase its value by a single koruna. The privatized property is waiting for domestic and foreign investors, for qualified management, and for technical and technological innovations. It is a matter of the credibility of the overall economic policies as to whether or not a flood of the desired factors for restructuring the enterprises and revitalizing them takes place.

* Financial Experts Answer Tax Questions

93CH0395A Prague EKONOM in Czech 4-10 Feb 93
p 17

[Article containing questions answered by Jiri Vrba and Eva Spanarova: "Before Filling Out the Tax Return"]

[Text] This year, businessmen will be filing their tax returns for 1992 by 15 February. In compiling some items, even if in question are calculations according to a system that has been in existence for several years, there is some uncertainty. For that reason, we contacted tax and financial experts from the imAGe 1 company and in cooperation with them we prepared the first part of EKONOM's tax advisory dealing with tax returns for last year. The goal of this advisory is to assist with the application of the new tax system effective since 1 January 1993, and provide information about all changes or modifications. We are therefore waiting for questions from our readers who are interested in this problem.

[Question] In calculating the tax base for insurance premiums (social and health) does one include as costs for acquiring capital assets only depreciation (not the value of the acquired capital asset)? Doesn't this method of determining the tax base discriminate against those who invest?

[EKONOM] The tax base for insurance premiums for a co-owner of a public business company is 45 percent of his share of the company's profits, which is defined as the difference between earnings and costs. Law No. 586/1992 establishes a new definition of tangible and intangible property and at the same time determines how the owner of the property depreciates it. The cost in the management of a company is only the depreciation. Acquiring new capital assets increases the value of the company's property and is reflected in the balance sheet of the company. The acquisition of property is not a cost. Even prior to 1 January 1993 a company's management costs were only depreciation, and capital assets were acquired only out of disposable profits. The tax system that goes into effect on 1 January 1993 does not give incentives to the entrepreneur to invest in order to cut down on taxes to the state.

[Question] Why isn't the amount earmarked for personal consumption (analogy of wages from dependent activities) established as the tax base, or why isn't this tax base left to the consideration of the owner?

[EKONOM] This is a thought-provoking and generally known idea. This view is certainly shared by the business community. The demand for this approach was submitted even within the framework of the tripartite negotiations. But the reasons why the approved process was adopted were not made public, and some reasons can only be guessed at.

[Question] Were any changes made during 1992 which will affect the methods of taxing income for 1992, or are

the tax returns to be made out (and therefore the taxes calculated) entirely the same way as in 1991?

[EKONOM] Individuals will submit their tax returns according to Law 389/1990 on individual income tax, which was in force until 31 December 1992. The new tax system went into effect only on 1 January 1993.

[Question] The situation concerning the status of retirees engaged in business activity is constantly changing. How are their business earnings taxed for 1992?

[EKONOM] The ruling of the constitutional court of 8 October 1992 rescinded the increased tax rate for old-age pensioners engaged in business according to Law 578/1991, which supplemented Law 389/1990. The provisions of Law 389/1990 therefore apply in full extent also to retirees engaged in business. The Instructions for Filing Income Tax Returns contain the provisions of Law 389/1990.

[Question] According to tax regulations for calculating taxes for the year 1991, the businessman is obliged to tax also payments-in-kind. What is meant by that?

[EKONOM] Payments-in-kind [tangible items] are rated at prevailing prices at the time and place of payment, according to type and quality, or as the case may be, by condition of wear and tear. Consumption of one's own products or services carried out within the scope of gainful activities is not considered to be income, nor are expenses related to such income included in overall expenses.

[Question] Will it be possible, and if so, to what extent, to deduct sales tax paid on goods in 1992?

Will it be possible and to what extent to deduct sales tax paid on purchase of tangible property in 1992?

To what extent and how will VAT [value-added tax] paid on goods bought between 1 January 1993 and 30 June 1993 be deducted, if an entrepreneur becomes a VAT taxpayer on 1 July 1993?

To what extent and how will VAT be deducted on tangible property bought between 1 January 1993 and 30 June 1993 if the entrepreneur voluntarily becomes a taxpayer on 1 July 1993?

[EKONOM] On 22 December 1992 public notice No. 44/1992 was approved on claiming deduction of the value-added tax and import tax on inventories of materials and goods during the transition to the system of value-added tax, which was published in HOSPODARSKE NOVINY on 6 January 1993. This notice amended the provision of Law 588/1992, Paragraphs 51 and 52. This answer was formulated on the basis of information available at the time the answer was formulated.

If the businessman is registered as a VAT taxpayer on 1 January 1993, and assuming that the goods which were bought after 1 August 1992 were properly inventoried,

there are available documents issued to the VAT taxpayer which make clear the amount of the tax, and then in the first tax period the deduction is claimed on the appendix to the tax return form. If the taxpayer does not claim the refund of the sales tax, the claim becomes void. Assuming that the property was bought after 1 January 1992, and was acquired properly for a price that included the sales tax, was properly inventoried by 31 December 1992, and proper documents of the payment are available, then in the first tax period the registered VAT taxpayer has a claim for a tax deduction reduced by the amount of tax corresponding to the relative amount of repairs.

In the current law amendment there is no provision for VAT deductions on materials and inventories of goods bought after 1 January 1993 for taxpayers registered only during the course of 1993.

If the entrepreneur registers himself as a taxpayer during the course of 1993, then he is entitled to claim tax deduction on property acquired 12 months at the latest

before the date the certificate of registration becomes effective. Proper documents with data on tax paid are required. The claim is made on the tax return for the first tax period after the date the certificate of registration becomes effective.

[Question] Is it to the advantage of the entrepreneur to become a voluntary VAT taxpayer?

[EKONOM] A more detailed study shows that the advantage or disadvantage of becoming a voluntary registered VAT taxpayer must be calculated on a specific case. It depends on the type of the business, on the necessity to cooperate with other entrepreneurs, and also which link in the supply-demand chain the entrepreneur represents. Generally it can be said that as a rule the business relationships: taxpayer (supplier)—taxpayer (consumer), or nontaxpayer—nontaxpayer are more advantageous than nontaxpayer-taxpayer or taxpayer-nontaxpayer. It is unequivocally advantageous to be a VAT taxpayer in the export business.

* Polish Euroregion Involvement Reviewed

93EP0189D Warsaw RZECZPOSPOLITA (Economy and Market Supplement) in Polish 10 Feb 93 p 1

[Article by Anna Wielopolska: "Cross-Border Mutual Economic Cooperation"]

[Text] Along all the land boundaries of Poland economic cooperation with adjacent countries is flourishing. The best situation, according to Minister Marcin Rybicki of the Central Planning Office, is on the Polish-German border. But EC assistance will have to be courted if cooperation is to be still further intensified. A request for a subvention can be lodged by an institution having the status of a Euroregion.

One such Euroregion, "Nysa," is planned for the border with Saxony. The Germans are pressing for a most speedy institutional solution. This matter was the subject of talks with the Prime Minister of the Land of Saxony Kurt Biedenkopf during his visit to Poland.

The EC provides special financial subsidies for Euroregions. Until now only regions located within the European Community have been eligible for these subsidies. The Interrect Package has broken this logjam: It is a program under which regions located in the borderlands of the EC can also benefit from EC funds. In the opinion of the Germans this is important in the sense that it can overcome the Poles' mistrust of the economic intentions of our neighbors. Until now our local governments have been apprehensive that the Euroregions would be utilized by the German side to exploit EC funds without Poland's participation. The idea of formalizing Polish-German cooperation was hurt by the Stolpe plan, which drew a negative response from the Polish side and was suspected of wanting to discriminate against Poland.

The funds proposed by the European Community for the Euroregions have so far been limited. For the entire eastern boundary of Germany adjoining Poland the Interrect Package provides 15 million ECU [European Currency Unit]. Still, that subsidy is in the nature of an incentive: If the money is used effectively, the subsidy might be increased. The competition is sharp: Some 50 Euroregions are applying for the money. In addition to Saxony, other eastern German states—Mecklenburg and partially Brandenburg—are interested in forming Euroregions in our part of Europe. The idea of forming a Pomeranian Euroregion under the auspices of Szczecin, Brandenburg, Swedish, and Bornholm Island authorities is causing a considerable stir.

The principal purpose of forming Euroregions is to spur economic growth in cross-border areas. In the opinion of the Germans, it is high time to legitimize unreported cross-border trade. Cooperation will serve to exploit the natural resources of both sides, such as the potential for tourism in Poland. For the time being, the most important problem in the Euroregion is to regulate cross-border traffic. Within not more than two or three years

traffic in Zgorzelec should be eased by building a two-lane bypass which will be part of a superhighway linking Germany to Krakow and Lwow. Endowing economic cooperation with a legal status will also serve to regulate the flow of services and finance. On our side the competences of local Polish authorities still remain unclear.

In the opinion of Minister Rybicki, economic cooperation along both the eastern and the western boundaries of Poland is thriving. The boundary segment along the Kaliningrad Enclave is the most difficult. Poland does not want to invest in, among other things, new border crossings into a territory where a 400,000-troop Russian contingent is still stationed. Cooperation along the country's southern boundary also is not effective, and reduces to declarations that new border crossings are going to be opened. Here the decisive factor is the break-up of Czecho-Slovakia, which has caused talks on establishing zones of economic cooperation to be stalled. There are many institutions promoting economic activity in border areas. In Suwalki a conference of the nation's Agencies for Regional Development (which number 20) will soon be held. Under the European Community's PHARE [Economic Reconstruction Aid for Poland and Hungary] Program for Assistance to Poland the so-called Struder Program has been approved: It provides for disbursing 60 million ECU to four regions with particularly endangered economic infrastructure: Olsztyn, Suwalki, Lodz, and part of Rzeszow Voivodship, and also Walbrzych Voivodship. According to Minister Rybicki, the money matters most, but mobilizing the regions is of no less importance: In order to receive EC aid, they had to provide the EC missions with programs for overcoming the recession.

This coming October Poland will host a meeting of the Baltic countries on the issue of the economic development of the coastlines of the Baltic Sea. As regards cooperation with Germany, the Society for Promoting the Economy, which will monitor, among other things, the idea of forming Euroregions, will now soon be established.

* Problems With Price Settlements for Russian Gas

93EP0189C Warsaw RZECZPOSPOLITA (Economy and Market Supplement) in Polish 8 Feb 93 p 1

[Article by Anna Wielopolska: "Price Settlements for Russian Gas: Barter-Based Trade"]

[Text] Two-thirds of the natural gas consumed in Poland derives from Russia. This dependence on a single supplier is causing considerable problems to Poland. Officials discuss shipments of that resource in their two aspects: What they are like and what they should be like.

There is as yet no basic agreement for gas shipments in 1993. It is still being negotiated under difficult circumstances, with the Russians posing terms as regards price settlements, which is a particularly complicated issue,

because past debts have been compounded by barter deals, which are in many cases impossible to price.

Normally natural gas shipments from Russia are based on several different agreements, each of which specifies a different way of paying for the gas.

Last year we purchased altogether 6.6 billion cubic meters of natural gas from Russia, mostly on the basis of Orenburg and Yamburg agreements specifying shipments of 2.8 and 1.65 billion cubic meters respectively. The settlement of accounts for these shipments has been for two years the subject of negotiations between the ministries of finance of both countries.

In the opinion of the Polish side, we had paid for that gas by laying at one time a pipeline in Yamburg and Orenburg for the Russians. The Russians in principle are in accord with this position but now and then they renew their demands for payment in convertible currencies or, as recently, for postponing shipments from Yamburg for several years. That is because Russia needs money in return for its natural riches. Fortunately, it also needs certain commodities, such as food, medicines, and equipment.

For this reason we barter our commodities and labor for some of the shipments. We are bartering food for deliveries of 1.5 billion cubic meters of the gas last year and Kolmex-provided equipment for 420 million cubic meters. In addition, Energopol exchanged its labor for 250 million cubic meters. In theory the implementation of the agreements should cause no problems....

In 1991 we bartered medicines for some of the gas shipments. The gas was supplied to our importers by the Russian Gazeksport, and in return medicines were provided to Russia by Polfa plants. Under the agreement, Polfa [Polish Pharmaceuticals] was to be paid by the Polish importers of the gas. But to do so the importers have to have a legal basis. They want therefore the Russian side to provide them with documentation for the medicines. But (logically enough) the medicines ended up at the Russian Ministry of Health, which has nothing in common with Gazeksport. On its part, Gazeksport refuses to issue documentation for a commodity with which it likewise has nothing in common.

Polfa is not getting paid for its medicines, also because the Polish side too has been lagging behind in payments for gas shipments. For example, the gas is consumed by nitrogenous fertilizer plants which, being money-losing enterprises, put off paying their suppliers. The Polish Oil and Gas Corporation is therefore, in its turn, behind in its payments to Gazeksport. On the one hand, it has no money, and on the other, the negotiations between the governments continue. The clearing of accounts is additionally complicated by the existence of two separate and so far incompatible banking systems as well as by the system for fixing gas prices.

The basis for determining the separately binding price of natural gas in any agreement is the price of crude

petroleum. Since the gas price is determined at quarterly intervals, quarterly agreements would be most advantageous to us. But the Russian side rejects the idea and the agreements are for annual periods. Besides, that is the time horizon most often used by the Russians, since the Polish side has not been able either to negotiate longterm agreements incorporating guarantees of gas delivery over a period of several years.

In sum, of the 9.5 billion cubic meters of natural gas used last year by Polish industry and consumers (households), 6.65 billion derived from Russia. This year we would like to receive from that country 6.5-6.7 billion cubic meters of the gas as measured by the Russian standard, that is, at a temperature of 20 degrees centigrade. Were the gas to be measured by the Polish standard, that is, at a temperature of zero centigrade, it would turn out to be 7 percent smaller in volume. This is certainly not going to reduce our gas problems. It does not look either like at least some of these problems will be solved this year.

* World Bank Representative Views Economy

93EP0179A Warsaw RZECZPOSPOLITA (Economy and Market Supplement) in Polish 4 Feb 93 p V

Article by Ian Hume, World Bank permanent resident to Poland: "World Bank Opinion of Polish Economy: Success Is Not Yet a Foregone Conclusion"]

[Text] Three years after the start of the program of economic transformations in Poland, it is worth reviewing the state of its economy and implementation of reforms, and considering its overall prospects. What can we see? Generally, there are many reasons for satisfaction—considering both the most recent trends in the economy and the overall reform program. But at the same time there are still certain phenomena that—if not dealt with properly—can threaten further progress or delay it.

It appears that the government of Premier Suchocka, since the time it came to power in July, has nearly pulled the Polish economy from the brink of the abyss. Since that time, it has created conditions such that Poland can again become the leader among reforming post-communist countries. That is a great achievement. Poland has every opportunity to take advantage of it and to make a fundamental change in a year or two. But this success is not a foregone conclusion at all. It can easily be frustrated by a political crisis or a bad policy that weakens the discipline of economic management. Poland truly has the opportunity to achieve meaningful success; the only problem is what conditions it must meet.

Reform and the Economy

Looking at the implementation of Polish reform programs one can see two things: Reform is well advanced and is operating essentially in two directions. It is reacting to structural changes in the economy and is

beginning to produce economic benefits. Three key elements of the initial program of economic changes introduced in January 1990 (the Balcerowicz plan) still hold, although they have been modified a bit. Succeeding governments have maintained—and this is to their credit—a stabilizing element based on strict macroeconomic discipline (tax, monetary and wage policies).

There are still pressures threatening the stability of monetary and fiscal systems, but up to now it has not reached the point of deviation on a macro scale. The same can be said about the liberalization policy, thanks to which free trade and free pricing have emerged and market forces have come into play. Despite the restoration of certain protective tariffs, the Polish economy is to a great extent open to competition and is functioning practically without major subsidies.

The third element—the conversion of state enterprises through their commercialization (conversion into stock companies) and privatization—is starting to take on momentum after a rather slow start. Evidence of progress is the privatization of about 2,000 enterprises and the commercialization of many more. Moreover, there is concrete proof¹ that the reaction of many state enterprises to new economic realities is the spontaneous development and undertaking of various restructuring programs. In a word, reform has “taken root” and is producing the desired effect on the economy. But how does the economy itself look?

Recently published data on economic results in 1992 offer a clear basis for satisfaction, and in many areas. Last year a slow but constant exit from recession occurred, as evidenced by results in exports. Significant growth in private sector activity has also been achieved, and it currently accounts for more than half of employment and almost half of PKB [Gross Domestic Product]. This was accomplished through an increase in competitive supply by the state enterprise sector that has undergone restructuring. A slowing of the rate of increase in unemployment has occurred. Inflation, though still too high, shows a decreasing tendency. And the currency is holding a steady course within expected limits.

In addition, recent data suggest that an increase in real household income is occurring.² This is also encouraging for other reforming post-communist countries three years after adoption of a program of changes.

If reform produces results and growth in the economy occurs, then this is a historical moment. Since Poland is currently, to a great extent, open to both foreign and domestic competition, one must say that the growth occurring under these conditions must be competitive. What is coming to light foreshadows the beginnings of a Polish economy newly built from its foundations. The problem here is how to create and maintain economic impetus. This is precisely the fundamental problem for Poland.

Conditions for success

Everyone who has Poland's well being at heart (and other countries traveling the same road) should realize that the road to permanent revitalization will be bristling with difficulties. They must also remember it will be extremely important to enter into compromises with the goal of preserving and protecting the reform process. A soundly developing economy always serves group interests better, but when an economy is not developing properly and no concept of common good exists, group interests also suffer as a result.

Naturally, the future course of the Polish economy will depend on many elements, including, to a great extent, such elements as the course of economic revitalization in the West and a possible recession in Germany. And on this Poland has no impact. Yet to a high degree, Polish politicians, parliamentarians, entrepreneurs and labor unions themselves will determine economic success. And here one matter is not subject to discussion. Poland will not ensure economic reanimation by using only the stimulus of monetary policy. It must also maintain the discipline of this policy, at the same time removing certain structural obstacles to further growth.

What obstacles? One can reduce them to five basic ones:

- assuring and maintaining the cohesiveness of authority,
- decreasing fiscal imbalance, which threatens monetary stabilization,
- concluding the restructuring of banks and enterprises,
- reaching an agreement with the London Club, and
- unleashing social dynamics in the support of the march forward instead of opposing them.

Cohesiveness of authority

In contrast to France or Italy in the 1950s, where the governments were very unstable while the economy flourished, in Poland the role of the state in the economy is still very large. Thus, if the government lacks “consistency” in undertaking legislative and executive initiatives, it is clear that the pace of economic reform will be slowed and economic growth will suffer as a result. This issue touches all aspects of power, from the office of the president to parliament and the government itself, to the effectiveness of public administration. But one must admit that despite problems with the stability of its coalitions, Poland has not done badly at all. Changes are occurring in the right direction, there is no element of nationalism or compulsion in political differences, and more converging than diverging points appear in the coalitions' aims. The current government, with significant support on the president's part, has managed to achieve ratification of tough laws and—more importantly—the Small Constitution. If all this can be used intelligently and if the existing inertia of the bureaucracy

can be curtailed at the same time, this would have fundamental significance for ensuring the future growth of the Polish economy.

Fiscal Imbalance

Solving the Polish fiscal crisis is a fundamental condition for increasing monetary stability, without which inflation and interest rates will remain high. Polish fiscal problems are of a "structural" nature because they arise from the system, not from policy. This means they cannot be resolved through ordinary adjustment of expenditures and revenues. Systemic changes are necessary. This applies to both sides of the fiscal equation: there is a need to create a new system of public expenditures, as well as a new system of collecting taxes. In both spheres reforms are being introduced, but the government will need political support in implementing the new projected systems.

It must be said clearly and it should be plain to everyone that without such structural reform Poland will be overly susceptible to the pressures and pretensions that threaten state monetary stabilization. And this can hinder economic growth and expand the country's dependence on the help of foreign institutions.

Restructuring of banks and enterprises

One of the consequences of the fiscal crisis is that funds are moved through the banks from the sphere of production to the sphere of public expenditures. Burdened with significant unpaid debt, the banks view it as more profitable to lend money to the government than to enterprise. In this way, the banks are financing retirees and other social classes, instead of financing investment, production and the development of enterprises. The most important immediate goal in the domestic program of change at the current stage is to carry out a general operation to clean up the contact "field" of the debt and charges of state enterprises in the banks. Without this, the most important goal of reform in the country—effective commercialization and privatization of the sectors of production, both in industry and agriculture—will with all certainty be subject to delay with almost certain negative consequences for general economic growth. The government currently has a well constructed program, which has the World Bank's support. There is a need to implement it quickly without putting up unwarranted claims in relation to the state deficit.

London Club

Even with its banking sector reformed, Poland will have to develop its domestic and foreign capital markets. The current lack of an agreement with Poland's foreign commercial creditors is, generally speaking, an obstacle to the growth of the capital market and foreign investment. Poland cannot afford to postpone an agreement with the London Club on restructuring its foreign commercial debt. The lack of such an agreement is a structural barrier to the influx of new commercial capital to Poland; it makes it impossible for foreign banks to open

branches in Poland and scares Western firms away, because it raises doubts as to Poland's credibility as a future creditor. The Polish government is on the eve of undertaking negotiations with the London Club. Carrying them to a conclusion without unnecessary delay has major significance.

Social dynamics

All post-communist countries carrying out reform face the same problems. The question is how to maintain public acceptance of the hard road that must be traveled during the implementation of changes. Poland's uniqueness stems from the fact that the actions of Solidarity paved the way for political changes and that at the start of economic reform there was broad social acceptance of them. The current challenge is to sustain it. The role of all labor unions in Poland is currently unsettled, but they have played an important role in calling attention to worker interests, especially by demanding from the government (and others) precision in defining the aims and effects of reform in various sectors. The government responded to this with the idea of a pact on enterprise, which became a proper and highly creative medium for establishing a consistent platform for dialog about the whole set of problems requiring solutions, toward the goal of accelerating restructuring and privatization. The pact filled in a twofold way the voids that appeared in the social consciousness. First, if it was clear to everyone that several elements of the reform program had to be implemented, then it was not known whether they would be suitable for or tied to each other. Second, no one knew how the voice of employees would be presented in planning and implementing programs and what system of public support the government would have.

Despite the pact's sound attributes, it has not yet been signed or ratified, and it is also in danger of becoming the object of a cynical game. Its adoption would surely be a positive step.

Why Poland Merits Attention

The commentators who try to foresee what Poland's probably future will be face an exceptionally tough challenge. The basic difficulty is how to deal with everyday fluctuations of optimism and pessimism, which spring in turn from often conflicting events with apparently opposite consequences. To which should one give credence? It is necessary to differentiate everyday events from fundamental issues. The latter—the people, Poland's natural wealth and its markets—look very good. Moreover, this country has shown in three years that if it wants to, it can. But in the opinion of many, Poland is fighting with several tigers at once, and it is a true miracle that these simultaneous struggles have not yet caused even greater weakening of the country. The problems with which it is grappling are indeed tigers—deep recession with dangerous hyperinflation, profound modification of the economic system, conversion from totalitarianism to a parliamentary democracy, and the constant threat of social upheaval if the cost of reform

were to be too painful. Just one of these tigers would have given a "headache" to any Western country. In Poland, it is amazing that delays, irritations because of the lack of vigorously undertaken decisions, and political conflicts are not greater or deeper, considering all the circumstances. There is only one reason: The foundation must be solid indeed. The country is strong and with patience and consistency perhaps it can soon negotiate the next turn.

Footnotes

1. Report of the World Bank on 75 state enterprises, December 1992.

2. Institute of Economic Development Household Survey, November 1992.

* World Bank Expert Discusses Farm Credit

93EP0179B Warsaw *RZECZPOSPOLITA (Economy and Law Supplement)* in Polish 5 Feb 93 p 1

Article by Antoni Kowalik: "World Bank Farm Credit: \$400 Million Available"]

[Text] Of \$600 million, divided over three years and allocated in 1990 by the World Bank as credits for Polish agriculture, only \$200 million has been used so far, the director of the World Bank permanent mission to Poland, Ian Hume, informed the Senate agricultural committee on 4 February.

Only half of the credits designated for export development, in the amount of \$100 million, has been paid out. From another line, also \$100 million, which was intended to support agriculture, especially reconstruction of the institutions that serve it, not one loan has yet been awarded. A third line, which amounts to \$300 million and was to finance adaptation programs in agriculture and expansion of its infrastructure, has also remained only on paper. Putting this money into service can take place only after conclusion of an agreement with the International Monetary Fund, this following the Sejm's passage of a budget. Thus the first loans from this source will be possible no sooner than April of this year.

A number of factors determined the low level of use of the allocated credits, the senators emphasized during the committee's fourth meeting. Inflation, the high risk level, the period for return on capital, longer in agriculture than in other areas of the economy—all of this has discouraged investment. Entrepreneurs, especially in rural areas, are just now learning how to accomplish investment according to market rules. Added to this were limits on obtaining these credits, such as the requirement to buy machines and equipment abroad, the inability to purchase land or buildings with the credits, ownership of a 20-percent personal stake, the requirement to prepare a study of the undertaking's feasibility, a business plan, etc. The intervention of Polish banks, which are obliged to add 20 percent of their own funds to

the loan, which their limited capital does not always permit, has proved to be a very serious obstacle. The banks' requirement to give evidence of security and guarantees for the loan amount has proved to be the most difficult and discouraging condition that borrowers have to meet.

In Ian Hume's opinion, requiring guarantees from borrowers is a practice imported from the centralized economy and should not be used. Setting up such a condition has nothing in common with evaluating a borrower's reliability or the investment program that is to be financed with credits. And this should be the deciding factor in granting loans. After all, the bank collects interest for its risk.

In the mission director's opinion, the initiation of EC credits, which proved to be cheaper, and preferential loans for agriculture by Polish banks have also had an impact on the low level of use of credits offered by the World Bank. The EC line expires this year and World Bank credits will also become preferential, especially since withdrawal from the requirement of a 20-percent share of the intermediary bank's own funds has been announced.

Director Hume also said that the requirement of filing feasibility studies and business plans for investment projects will be observed with large loans, e.g., \$500,000. With smaller investors, applying for a loan of \$10,000 for example, the bank should deal flexibly and not require extensive analyses.

Responding to senators' questions, Hume confirmed that World Bank loans will not be used to finance purchases of land or buildings. But tenants, including those on PGR [large state farms] property, can take advantage of such loans. The adaptation line in the amount of \$300 million has raised much hope in rural areas. I. Hume said that \$80 million of this amount will be allocated for rural telecommunications development. The rest can be used to expand infrastructure, by local governments among others. Employee partnerships in PGR's can also use this money if they submit a credible operating program. But these funds will not go directly to borrowers. This will be a loan to the Polish government or, more precisely, the Ministry of Finance. After exchanging dollars into zloty, the money will be made available to the Ministry of Agriculture for loans to the Rural and Agricultural Development Fund. When asked what would happen if the budgeted deficit proves to be higher than the expected 5 percent, he answered that the initiation of this line would have to be negotiated.

The World Bank, it was said, is interested in cooperation with the regions. If programs such as the cultivation of Zulawy Wislane have been prepared, they should be submitted and negotiated. Future lines of credit from the World Bank that will be implemented in the near future will apply to the additional financing of these programs: privatization of PGR's and improving the forestry economy and reforestation.

Country's Image, EBRD Aid Prospects Viewed

93BA0591A Timisoara RENASTEREA BANATEANA
in Romanian 14 Dec 92 pp 1, 6

[Interview with Bogdan Baltazar, senior counselor and head of the Romanian group at the European Bank for Reconstruction and Development, by Vasilica Ancuta; place and date not given: "I Am Not Romania's Representative, but by Serving the EBRD I Am Serving Romania's Real and Serious Interests"]

[Excerpts] [Ancuta] We are proceeding from an agreement made before you granted this interview: We will discuss just the EBRD [European Bank for Reconstruction and Development] and what you are doing there—although there is a big temptation to go beyond this framework, I admit. You were the press spokesman of the Roman government and an almost legendary personality, at least with the press.

[Baltazar] No. I agree to discuss anything, except for opinions on the political situation in Romania and other matters like this, on which, in my current capacity, I am not able to make statements. In my official capacity I do not have the competency to make statements, though I think that this would have interested you. But, other than that, we shall discuss whatever you want.

[Ancuta] To what extent do you, who have been in London for more than a year, feel that this bank, established in 1991, can be a "life preserver" for an economy in transition such as Romania's?

[Baltazar] It is not a matter of a life preserver. However, the European Bank is part of a number of factors which can help the transition to a market economy, which can contribute to economic stabilization and, following that, to a new start.

It is part of that group of institutions which can help the privatization and reorganization process in industry or in other areas but, one very important thing, also each country's wish to be committed, not just in words, but in deeds. It is important, for example, to ensure that a country like Romania has access to the markets of other countries and I hope that the agreement to associate with the Common Market is a link on this path. Because it does not help matters any to give so-called aid to a country if in the end you do not let it export. In order for it to gain the resources needed for imports and for financing the investments! I also hope that in the near future it obtains the Most Favored Nation clause with the United States, which would offer Romania another chance to win hard currency resources honestly, as they say.

[Ancuta] Didn't this clause become something of a cause celebre?

[Baltazar] The matter of the clause became a cause celebre due to the fact that it was something into something much more than it is, both by the American and Romanian sides. The clause became a kind of

political criterion used in all kinds of ways and in particular was also used by Romania's enemies in a way which has no connection with the facts. But it remains very important! That is, if it has been given this political importance, it has it, like it or not, but the clause, just like the agreement to associate with the Common Market, is a means by which a country like Romania can utilize export opportunities and can obtain the necessary hard currency needed to carry out its imports, to aid in making the leu more and more convertible, to finance projects and so forth. If you do not have money, you do not get money—you know, those are the rules! In this framework of the opportunity to export and to protect a certain exchange rate—not unrealistic, but reasonable—clearly the European Bank also has a role. It can contribute to supporting some big projects in Romania. And it is already doing so! We approved a large loan of \$180 million to develop the domestic and foreign telephone system through digital dialing, which in its first phase would not bring Romania up to the level of the West, but rather to an acceptable communication and access level with the rest of the world. Another project: We opened a credit line of \$70 million for the Agricultural Bank, meant to aid development of the private sector in agriculture, generally the agroindustrial sector on private bases. If it goes well we will extend the line and change it into what is called a "revolving credit line," that is, it will be made available to the extent to which the monies are spent. We have another loan to rehabilitate three oil-fields—Berca, Gaesti and Braila—and not only to rehabilitate them, but also to study the opportunities to change them into commercial entities, of course if Romanian authorities agree. It remains to be seen to what extent the rules of the market can be made into means to reorganize these activities in a positive direction. However, we have many other projects in the imminent phase.

[Ancuta] Should we understand that, despite the fact that the hunger for capital is still being demonstrated throughout the Eastern bloc, financial resources are nevertheless available?

[Baltazar] What I can tell you is that we at the European Bank have a lot more money than there are good projects coming from the countries where it operates. For that reason, our function is to step in precisely in order to aid in formulating and identifying some viable projects. [passage omitted]

[Ancuta] Romania was not considered a priority when the bank began its financing activities. The first project went to Poland, as far as I know. Do you really think the situation has changed significantly?

[Baltazar] Of course it has changed. For a long time we were in first place! However I am pleased to say—no offense—that your friends and mine, the Hungarians, came up very fast from behind. They have known about market-economy mechanisms for a long time and succeeded to a greater extent than we did in attracting Western capital—there is no reason to be too angry

about that, on the contrary, this can be a stimulating factor. You know the saying: Money goes to the one who needs it the least! But I do not think there is an international institution where our position is as good as it is in the EBRD.

[Ancuta] By statute the bank is proposing to emphasize the financing of private agents. Despite this, in countries like Romania it is only possible for the time being to deal with government institutions. The limit to the amount imposed being relatively large for an individual, it will be necessary to deal with governments at least for some time to come. Isn't that a contradiction?

[Baltazar] There are two aspects. We deal with government agents and not necessarily with governments when it is a matter of infrastructure. For telephone systems, it is clear we dealt with Rom-Telecom and it is also clear that the Romanian Government had to guarantee the credit. Why? First, because it is a matter of an infrastructure project and, second, Rom-Telecom cannot establish telephone tariffs freely and they are subject to government approval. So we discuss with government entities and request their guarantees when it is a matter of infrastructure projects of great significance to the national interest. The statement is very correct in the sense that we have a certain lower limit of financing...

[Ancuta] ...of 5 million ECU!

[Baltazar] This is our minimum threshold of intervention, which is about \$6.5 million, and since there also is a provision that requires us to take "explanations," as they are called in banking terms, 35 percent over the total value of the investment, we reach an investment value of around \$18-20 million.

It is true—and please realize that it isn't bad—that we wanted to represent a vital element with impact from the start, that is, to finalize important projects of a certain scope. Since our personnel is limited we cannot allow ourselves, by the way in which we were conceived, to be concerned with a large number of small enterprise owners—that is absolutely impossible! We were not created for that purpose. Our founding fathers had something else in mind, namely, that in time we would develop what we call financial intermediaries. We started to do this in Romania and I think in the short term we will be able to start to reach the small private enterprise owners, also. But, once again I say not the enterprise owner that is "too" small because here—God forbid, it's not for me to give advice—it is primarily the job of Romania's competent authorities. In other words, there are very many formulas—and I am convinced they are being discussed by Romanian officials—to guarantee credits, to subsidize some of the interest rates, at least partially; there are different formulas by which the small independent, really independent enterprise owner can be helped.

The "grey" zone—between, on the one hand, the small enterprise owner who needs several million lei to start up a business, something we are not going to be concerned with because we would upset Romania and, on the other

hand, our limit on direct intervention—I think should remain exclusively the prerogative of local banks together with the subsidies which government policy aims at in regard to small enterprises, something we discuss a lot—not necessarily in the case of Romania—but we are doing a little. It sounds nice "helping the small private enterprise owners, the salt of the earth, and so forth," but in general matters stop at the discussion level.

We are developing financial intermediaries for that grey zone and we already have assembled two types of these plans. I told you about the credit line intended to develop the private sector in agriculture, generally the agricultural-food sector. Everything connected with agriculture—the refrigerator trucks, stores, processing of any agricultural raw material—which is anchored in the private sector is a goal which can be kept in mind by the Agricultural Bank; of course, however, we need a business plan, financial projects, the enterprise owner himself must come up with 25 percent of the project's total cost from his funds. Then the bank can come up with the rest of the financing on the basis of these criteria which we all are talking about and which mean profitability.

The second plan refers to the credit line we opened with France's Societe Generale Bank, a credit line based in three countries, but we should not fear if somehow funds are consumed by the others because if good projects are made we will increase the credit line by 25 million ECU for projects in absolutely any area. Here I must clarify: Bearing in mind a certain fear of risk which commercial banks have in general, probably we will be able to finance both big and small projects but those with a special potential for exports. If not in totality, the great majority of receipts for the projects must be in hard currency in order to eliminate the risk of devaluation of the leu and everything it means to sell on the domestic market. We have in mind investing in some Romanian banks and this will represent a means to aid the small enterprise owner. Again I say that we know very well that we are lacking in this area and I will disclose a secret if you want—a "scoop" as they say in the press. At the annual April meeting in London, one of the subjects about which the EBRD will hold a "behind-closed-doors" roundtable will be aiding small and medium enterprise owners, so you see the hat fits.

[Ancuta] I cannot help but refer to a delicate aspect. Even through its statute of operation, the EBRD places certain political factors as a condition for aid. How far does this condition go?

[Baltazar] We proceeded from the premise that democracy and a market economy are two processes where one is a condition of the other and from the hypothesis, which we believe is correct, that stagnations or regressions in one area also affect the other. In no way do we propose to be interventionists; however, since our basic goal is to aid the transition to a market economy, everything that we think hinders this transition is one

factor which makes us think twice whether the authorities of the particular country really want to do this or not. Of course, you cannot normally get unconditional loans, but the conditions are not imposed by us but rather come from the particular country. However, the country itself understands very well that interruptions in one cannot bring about progress in another area. Of course, in my opinion, mistakes can also be made. I do not think that until now the European Bank has committed this kind of mistake, in any case not with Romania.

[Ancuta] Yet there have been some precedents. Yugoslavia, the former USSR.

[Baltazar] Well, of course! Undoubtedly at the point where clear statements are made and specific measures are adopted favoring a recoil, or visible discrepancies exist between public statements and specific actions, then we will ask ourselves—and it is very interesting please remember!—if we have any business being there, that is, if somehow we are not bothering someone. If someone does not want to develop a market economy who am I to try this with my projects? But, just as each country is sovereign, an international institution also has its own policy.

[Ancuta] This may be a question asked dozens of times in connection with the image of Romania in the world, but what is Romania's image today in London?

[Baltazar] What can I tell you... This is something I have been struggling with for the sake of truth and correctness since I came to the bank. The image of Romania in the EBRD was not bad at all! But I must say that the EBRD is not the only thing in the world and generally the bank is subject to let us say disturbing influences which are the effect of certain domestic and foreign activities, which mean that sometimes the picture is not exactly encouraging. I am telling you very openly that as an outside witness the repeated delay in the elections did not have a good effect. Any action in the area of labor relations, which is not legal and which is chaotic and dictatorial on either side, has a bad effect.

Investors and financial institutions expect to recover their money. They think about the security of their investment and the steadiness with which day by day, hour by hour, they must produce and sell, and about predictable and legal ways to resolve labor conflicts. Risks must be anticipated and covered! So images of blocked streets and so forth are not good, while images of trains going through all the signals with a knife at the mechanic's throat are absolutely catastrophic. This is not intended as interference in domestic affairs but is only a statement of fact. If we want to understand it for what it is, then fine; if not, we are free to do what we want. But you cannot have your cake and eat it too! Life is a succession of choices.

But let us go back to where we were: The rather repeated delay in elections was not viewed very favorably but the elections themselves were received well and evaluated as

free and correct. This really was a plus which made me, a man who wants to bring money into Romania, very happy.

[Ancuta] How were the results of the elections received?

[Baltazar] Of course, a number of comments were made. What I can tell you is that, in relation to certain doubts which many expressed, very clear statements were made along the entire political spectrum; with nonextremists favoring reform and its continuation, with variations, with less or more backpedalling in various areas. What the EBRD feels at the present time, without bragging, is that Romania is steadfastly continuing reform and that any governing must be believed and must be granted what is called the benefit of the doubt. That is, it is correct to feel that people will do what they say. When you follow a certain process, you also must allow for a margin of error, not for who knows what Machiavellian reasons but rather because life is diverse and government calculations do not always correspond with the facts.

[Ancuta] The last two or three years have shown the importance of the lobby. We really didn't have anything like this and we see the results. May we consider your presence in London a certain lobby for Romania?

[Baltazar] In no way! It is not permitted. The concept is completely different. Each country presents its candidates, as also occurred in my case, involved in a very strict competition. I am the only one from all citizens of the former socialist countries who is leading the group for his country. If you will, this also involves some sacrifices. The idea is not to lobby but to be an official devoted to the bank's mission all the way. What is very comforting for me is that, in my opinion, there is perfect agreement between the bank's mission and goals and Romania's goals.

I do not think Romania would gain in any way if I were to promote financing a project that I was not convinced was profitable. If a project financed by the EBRD is a failure in Romania—I am giving you a hypothesis—then what could we say about Romania? You see that it would not help anyone and, I am sorry but perhaps it is good that I say it now, I even have argued a little with some friends who asked me for money according to the system of "give it to me, because I know what to do with it!" Well, things cannot go on that way. Many times, in my capacity as a senior bank official rather than a representative of Romania—because I am not the representative of Romania—I have had disagreements on one matter of another with various countrymen who were either entrepreneurs or part of the government, but I feel that, in the end, by serving the EBRD I am serving the real and serious interests of Romania. I am not there to lobby but I am striving through my correct and impartial behavior—and I believe that any Romanian in an international function who demonstrates impartiality—to lobby indirectly for Romania. But we have other forums for lobbying! The trouble is that, unlike other countries, the Romanian diaspora does not always act consistently

with my views with regard to the matter of the country's most lasting interests. This also occurs in the case of some people living in Romania, who confuse the country's interests with small, petty arguments, and are not always careful to see to it that these arguments do not stain the country's reputation abroad. I want to point out, really with admiration, the extremely unified and concentrated nature of the Hungarian diaspora. This should be food for thought for their Romanian counterparts.

[Ancuta] Last question: Don't you miss your confrontations with the press?

[Baltazar] Of course I miss them. However, each period in a person's life has its pleasures. I would like to take these matters up again but, on the other hand, those confrontations belonged to a certain very warm period and they had their charm. Plus they were part—and I say this with complete sincerity—of a certain strategy of that government. Now I have entered another stage. I was not really a press spokesman in the classis sense; I was, I would say, a kind of coparticipant in formulating certain opinions and many times I had to synthesize views which had not yet even been expressed! That is not what a spokesman is, but rather an entirely different thing. During my last days as spokesman I kept trying to convince Mr. Roman that we must change our procedure, giving definite answers only when the policy was definite, and otherwise saying "I do not know" or "I will tell you next time," just like Margaret Tutwiler and Marlin Fitzwater!

Civic Alliance Goals, Relations With PAC Viewed

93BA0506 Bucharest BARICADA in Romanian
12 Jan 93 pp 15-17

[Interview with Gabriel Andreescu, president of the Civic Alliance, by Toma Roman, Jr., and Petre Barabas; place and date not given: "The Civic Alliance Is to a Large Extent a Transitional Solution"]

[Text] [BARICADA] During the recently held second Civic Alliance [AC] Congress you were elected president of the organization. Can you tell us whether you expected to be elected, and what happened in that respect?

[Andreescu] As you know, the Coordination Committee proposed a list—the Steering Council list, with 29 names this year—and an equal number of names were proposed from the floor. Of course, those who were on the list were first asked whether they accepted to be part of the Steering Council or not. Similarly, those who accepted were asked whether they would accept other responsibilities. I was asked whether I would accept to also participate in a selection for the president's function, and after thinking about it, I said yes.

[BARICADA] What did you think of the activities of the Congress?

[Andreescu] I think that matters proceeded normally; there were a few moments of heated discussion. Some obstacles arose during the second day as a result of individual actions, for which immediate solutions had to be invented. It was difficult to follow or control the situation, but that is normal and I think the Congress was very successful.

[BARICADA] On the third anniversary of the Revolution, the AC Congress adopted a motion on "The Truth About the Revolution." What is the meaning of this motion?

[Andreescu] There are at least two motives. One would be the need to maintain the memory of the Revolution after a period during which all sorts of forces are trying to make us forget it, to give it a derisory nature. Another reason is to create pressure to learn the truth. I might add that this action is aimed at strengthening state institutions. The truth is not known because the state institutions are not doing their duty, because there are political forces which have an interest in preventing their operation. Paradoxically, we are supporting these institutions by putting pressure on them.

[BARICADA] Another motion adopted by the Congress is the one regarding the tense situation in Transdnister. In one specific case, four members of the FPCD [Christian-Democratic Popular Front of Moldova] were sentenced to death by the Tiraspol authorities. Do you believe that the AC can do anything concrete through internal and international pressures to improve the situation of Romanians in general, and to save these four people in particular?

[Andreescu] The AC must and will do it. In addition to raising the public's awareness through the message you mention, we will have to make an appeal to the government, to the state authorities, because the people involved are Romanians. Many of the national leaders talk patriotism, proclaim their efforts to support the Romanian spirit and values, but in reality they do nothing. For instance, they do not understand that they must take an interest in the condition of Romanians everywhere. In this respect, the Romanian government should be the first to intercede with the Tiraspol authorities using all the weight that it carries.

[BARICADA] Another question regarding relations with Bessarabia: We all lived through an emotional moment at the Congress, when Gheorghe Gavrila-Copil brought the news that the Bessarabian Church had rejoined the Romanian Orthodox Church. Do you think that this is a real step toward unification, or just a means of rehabilitating Patriarch Teoctist, who is known to have committed certain "sins"?

[Andreescu] Unfortunately, the two possibilities are not contradictory. At the Congress, we were very moved and happy to hear about this event. We felt (not only I, but the colleagues with whom I spoke, as well) that a first door had been opened toward unification. Later, we

found out that matters were somewhat more complicated: the relationship between the churches—Bessarabia and Moscow—was not clarified. We should therefore wait a while in order to understand the full significance of these decisions.

[BARICADA] When it was founded, the AC was intended to be an organization that would include people of different political orientations (democratic, of course). However, Christian-Democrats predominate in the AC's leadership: M. Ursachi is a PNT-cd [National Peasant Christian-Democratic Party] member, Iuga was a senate candidate for the same party, and a majority of the members show Christian-Democratic sympathies. How do you view this orientation of the AC?

[Andreescu] Of the 27 members of the National Steering Committee, only two are members of a party. Of the two, only Ursachi is a Christian-Democrat. If I calculate the percentage, I see no orientation of any kind in the Alliance leadership.

I think that in the long run, parties with typical doctrines such as social-democrat, liberal, ecologic, Christian-Democratic, must be strengthened. But the AC is to a large extent a transition solution. From our standpoint, these differentiations are insignificant during this transition period. We are on the point of building a social structure, social institutions, a social mechanism, that are common to all these doctrines. We have no reason to let doctrinaire shadings become a problem in the operation of the AC in particular, and of alliances and coalitions in general.

[BARICADA] Following elections at the Congress, the National Steering Committee of the AC has gained two students as well as L. Ulici and M. Ursachi. Do you think that this means the Alliance leadership is getting younger (through the students) and that it is hardening its previous positions through the introduction of two more intellectuals?

[Andreescu] A number of students were part of the AC from the start. Unfortunately, they were later involved in the activities of the Movement for Romania, and of course, consequently broke their ties to the AC. As to the two intellectuals, I should point out that Mihai Ursachi—a personality of some standing—was an active AC member in Iasi, and that Iasi in turn, was one of AC's large chapters. Laurentiu Ulici, a well-known name, becomes an outstanding member of the Alliance's leadership through the function he fills in the Writers' Union. In conclusion, I believe that there is no change in style.

[BARICADA] As president of the AC, will you continue the political line of the previous leadership?

[Andreescu] Ana Blandiana's policy was to support the unity of the Democratic Convention [CD]. I think that it was a very good idea, perhaps the most important achievement of the Alliance and its leadership, and I can only confirm this line through what I do.

[BARICADA] After the Congress, the press published various speculations about the future of the AC. In EVENIMENTUL ZILEI, Ion Cristoiu voiced the opinion that the Alliance should break away from the Democratic Convention in order to affirm its own identity, which in his view was eclipsed in the Civic Alliance-Civic Alliance Party [PAC] confusion. How do you feel about this idea?

[Andreescu] For three years, the press has tried to advance analyses, explanations, or projections about political events. Unfortunately, our press is a neophyte in this respect. It is more like saying "that's what I think" from one's office, about matters that require very exact information and an in-depth analysis. I believe that an awareness of the real conditions in the CD, and of the problems of political competition, leads to totally different conclusions than those of Cristoiu.

[BARICADA] During the Congress, Caius T. Dragomir made some rather friendly statements about the Alliance; he even suggested closer connections between the FSN [National Salvation Front] and the AC. Do you think that the FSN has become a democratic party to which the AC and the CD parties should be getting closer?

[Andreescu] The FSN is a party that is sufficiently different from the former National Salvation Front because it is sufficiently different from the FDSN [Democratic National Salvation Front]; the FSN seems to have a good parliamentary record, and I could even say that at this time, the FSN has a better parliamentary record than the CD. On the other hand, the FSN is itself composed of people very different from our point of view. Dragomir was the only person in government who supported literary magazines such as the distinguished VIATA ROMANEASCA. He was budgeting money to support them when other intellectuals, associated in one way or another with the opposition, were theorizing that culture should be subjected to a market economy. VIATA ROMANEASCA would not exist without Dragomir's decision. While the Alliance was organizing its famous demonstrations, and on other occasions as well, Victor Babiuc proved to be a very good, positive partner. Therefore, I think that we should not start out with labels and cliches. It is important to see what people will do, who they are, in order to see what will happen in the long run. I have mentioned a few positive things about the FSN, because we know that its image is associated with its previous activities. Let us not forget that within the FSN there still are people responsible for many of the post-Revolutionary crises—and I am thinking primarily of Petre Roman.

[BARICADA] After entering Parliament, the extremist forces began to act with greater militancy. What will the AC do to counteract the proliferation of extremism in our country?

[Andreescu] Contrary to what Banyai Peter declared in an open letter, the AC has always tried to involve itself in

improving relations with minorities. This is the first stage in overcoming conflict situations, and implicitly in acting against extremism. I expect we will continue to do so. After the political agitation created by the events in Cluj, we had already arranged a meeting between the AC leadership and the UDMR [Democratic Union of Hungarians in Romania] leadership. The Alliance Congress and the January UDMR Congress (which is to come) have led to a postponement of the meeting. I think that cooperation between Romanian and Hungarian moderates is one of AC's priorities in the fight against extremism. Contacts with UDMR are necessary to clarify the positions of this important ethnic party. Another means of intervention would be to inventory extremist actions, and those who are responsible for them and for domestic and international propaganda.

[BARICADA] You are an impassioned militant for human rights. Will the AC intensify its activities in this arena?

[Andreescu] I hope that it will. Except that I see AC's effectiveness not by being another organization along with other ones, but by furthering the things done by other organizations—and in particular the associations for the Rights of Man—supporting them, assuring cooperation. This is in fact the Alliance's main strength, and at the same time its main purpose.

[BARICADA] Through the conditions they imposed, the Romanian authorities practically prevented King Michael's arrival in the country. What is AC's position on this matter, which is in fact a defiance of the Rights of Man?

[Andreescu] It is a defiance, a human-rights violation and of the manner in which institutions operate in this country. It is a shameful act, and Romanian public opinion must be shown that the behavior of the authorities is undignified.

[BARICADA] Let us move to a delicate area of the AC: its relations with the PAC. At the recent AC Congress, you prevented Stelian Tanase from giving a speech; he was not on the list of speakers, and therefore he did not have the right to speak. However, it appears that this has led to his "victimization." Do you consider this to have been a tactical error on your part?

[Andreescu] One of the first things we must keep in mind is civilized behavior. It is not true that I did not allow Tanase to speak. There was a list of speakers, and he had the right to sign up for his turn to speak like everyone else. If you remember, when he was accused of speaking in PAC's name, I insisted on the fact that he had been one of those who categorically contributed to AC's formation. On the other hand, we must respect rules of behavior. To accept that he come on stage and break this rule, means in fact to allow that he block, that he affect those who had signed up to speak first. It is a question of elementary civilized behavior, not a question of competition for the rostrum.

[BARICADA] Do you think that you will find bridges to reconcile the AC and the PAC?

[Andreescu] We are convinced that friendly relations with the PAC would strengthen both organizations. We are completely open, there is no subjective or objective limitation, despite the complications of the past. It's all up to them, to the way they understand this relationship.

[BARICADA] We know that after the next Congress, the PAC will adopt a liberal orientation. The PAC was viewed as the Alliance, and thus as a party without a precise orientation. Do you think it is a good thing for the PAC to adopt a liberal orientation?

[Andreescu] We must not imagine that one solution is good and all the others bad. It is less important that the PAC choose a liberal orientation, that it choose a Christian-Democratic one, that it remain in this formula specific to the transition. What is important, is that its actions increase the party's strength while improving political life in Romania. These are the two limits on the good it has the duty to promote: its relationship to itself, as well as its relationship with Romanian political life.

[BARICADA] A youth organization, the Civic Alliance Youth [ACT], operates within the AC. What do you think is the role of this organization, and what are the limits within which it should operate?

[Andreescu] In order to capture the interest of young people, the AC must first of all have something to offer. It is not reasonable to propose the "capture" of a social category without doing it in the name of that category, in the name of some values. I think that as a result, the ACT must act responsibly and not react to circumstances. I think that the ACT idea is not linked to cover up a social category—as was done in the past to eradicate classes—but is related to the specific problems of young people. I am thinking for instance about the problem of education, which is a fundamental problem. It is not exclusively a problem of the youth, but is primarily of the youth; there is also the problem of unemployment among young people, of the relationship of young people to a society that is largely traditional, in other words one that has certain social privileges, more advanced age categories. There are many instances in which those who are beyond retirement age are retained in their jobs without having any special aptitudes for it. In the meantime, young people who received an education and have their whole life before them, cannot get a job because of the bureaucratic mafia. Nor do I want to overlook the problems of the aged. The whole world is debating the need to also give this social category the opportunity to make a public statement. In the United States, people are no longer fired because of age. But in this case we are not speaking of the competition between 20 and 60, but of professionalism, of the ability of individuals to do useful work for themselves and theirs.

[BARICADA] The AC is known to be facing various organizational problems. What are the current predominant problems of AC's leadership?

[Andreescu] The problem of office space, certainly. At the Congress, and within our chapters, we have asked—and will ask again—that some pressure be applied to obtain offices. The refusal of office space is undoubtedly associated with Iliescu's early irritation with the AC. It is interesting to note that despite the Alliance's strength, small groups with a few members have offices, while in Bucharest the AC still has to rely on the goodwill of private or association hosts. We will undertake national actions, and also try to sensitize our friends abroad, the embassies. What can we deduce from this desire to block a force through democratic excellence?

Without offices, it is hard to conceive working conditions for the AC members. But to return to the Alliance's objectives. In the first issue of the newsletter we will send to our chapters, we will for instance ask that someone or a group assume the responsibility of finding and listing the associations and organizations in the areas of the chapters. A picture of the civic life is extremely important. The AC is going even further: Not only will it list civic organizations as is done throughout the world, but it will also add information about their activities, the people with whom they work. A lot of false organizations have arisen here, parasite groups, organizations that were created only to affect the activity of other associations, or which were intended to exploit personal interests and which are not active in their respective areas. One of the AC's primary responsibilities is to draw a map of what is operating in the civilian society. I am thinking that we will have to specialize some Alliance members to follow the electoral process. This means that the AC will have to provide people who will be observers, or who will be part of a commission, or who will assist at a voting area. And while we are speaking of elections, I have the sincere opinion that they will occur in four years. In this respect, we have enough time to prepare our actions.

[BARICADA] Thank you.

Progress in Privatization of State Companies

93P20104A Bucharest ROMANIA LIBERA in
Romanian 2 Mar 93 p 1

[Article by Adrian N. Ionescu: "Surprise—The State Is Handing Over Its Property"]

[Text] A really big surprise: The transfer of 30 percent of the assets of the commercial companies receiving state capital to the Private Property Funds [FPP] has begun. We will be receiving shares of these funds. The portfolios

transferred to the "Muntenia" FPP-IV include those of TAROM [Romanian Air Transport], Vulcan, Semanatoarea, PECO [Central for the Sale of Petroleum Products], and Biofarm.

As of the end of last week, the Ministry of Finance and the National Privatization Agency had issued to the FPP transfer documents for 30 percent of the assets of 218 commercial companies receiving state capital. Although this action will not have any immediate effect on the income of the 15.5 million holders of ownership certificates, it is significant because the Funds are just beginning to operate and we can hope that the securities we have received from the post offices will not be just so much scrap paper.

On this occasion, the official formation of the commercial companies of the five Private Property Funds is taking place. This is of great importance in knowing how profitable the orientation toward the shares of one firm or another in one of the Funds will be for us.

Although initially these operations had been thought of as general actions, the preference was to transmit ownership from the state to the FPP on a "case-by-case" basis, for each company, even before the final re-evaluation by the government is completed and even before ownership of the grounds of the enterprises is settled. As we know, the FPP are empowered by law to turn over, in the name of the holders of the ownership certificates, the administration of 30 percent of the assets of more than 5,000 state companies.

The largest number of the 218 state firms transferred to the "Muntenia" FPP IV, with headquarters in Bucharest, are in the field of machine-building—30 companies, including Griro, Vulcan, the five firms detached from the former Titan, Semanatoarea, Mecanoimportexport. There are 21 companies from the field of chemistry, including Rafirom, PECO, Stela Ltd., Petrolimportexport, Biofarm; 20 from the field of transportation, including TAROM, Navlomar, and a number of former motor pools; 20 from the field of agriculture, mostly former state agricultural enterprises and "Agromec"; 16 from the food industry, mostly bread factories; and 10 from the textile industry.

A new package of ownership transfer documents for an additional 200 companies is being prepared. Specialists predict that the first shares representing the nominal value of the ownership certificates will be issued at the end of March.

*** Explanation of CSFR's Breakup Sought**

93CH0359A Bratislava KULTURNY ZIVOT in Slovak
3 Feb 93 pp 6-7

[Article by Jaroslav Valenta: "Is the Versailles System Dead?"]

[Text] Following the upheaval of 1989 east-central Europe is facing another crisis. It comes after nearly a half-century of its belonging to the Soviet "external empire" where ritual uniformity and suppression of genuine public views of the life of society concealed serious existential problems which were officially proclaimed as having been resolved. But even this ritualized society was not immune to crises: They occurred in 1953, 1956, 1968, 1970, 1980-81 and lastly in 1989. There were many areas in which problems were suppressed, above all the issues of the nation, nationality and nationalism; a formal equality of nations was proclaimed and official authorities pretended that all problems of this sort had been resolved.

After 1989 disintegration began in two states of this region, the multinational Yugoslavia and binational Czechoslovakia, both having also minority populations of a different ancestry. In Yugoslavia this process acquired the extremely drastic form of a war. I hope, and I am not alone in this hope, that Czechoslovakia will spawn off two states in a civilized and peaceful way without such an enormous deluge of blood and suffering. Both states originated in the aftermath of World War I; in 1938-39 and 1941 they fell victim to aggression and in 1945 were restored within their prewar boundaries. Both states were part of the "external empire" but since 1948 Yugoslavia went its own way, albeit also a socialist one. Both states were formally federations of national republics, both were states of two or more "state nations" and several national minorities.

Taking cue from the disintegration of these states it is often opined that the system of Versailles-Trianon-St. Germain Treaties (these peace treaties created the two states) is dead. It is also contended, although so far unofficially, that owing to the disintegration of these two states there could and ought to be steps to revise all boundaries established by that system, to be based on a strictly ethnic principle.

Historical Experience

What historical experience have the nations of east-central Europe? Until 1918 this region was dominated by three or four multinational empires: Ottoman, Austro-Hungarian, Russian, and German. This situation was inherited from the past. The map of this part of Europe, with the exception of the Balkans, had not changed since 1815. It was the historical experience of an empire in which there was one ruling nation (two in Austro-Hungary), with other nations in the position of being more or less dominated and oppressed. It is not true that these empires were destroyed only by external victors: They lost the war and were dissolved by their own

nations demanding their sovereignty and independence. Nations discriminated against, if not oppressed, attained their goal after a war that lasted four and one-half years. This war was not their war, they did not fight and die for their interests but for the interests of the empires. Yet several of these nations, for instance Poland, the Czechs and Slovaks, formed detachments in the allied armies and fought against "their own," that is, against the armies of the oppressor empires.

Critique of the self-determination principle after World War I aims at a purely theoretical and philosophically abstract interpretation of this principle and does not take into account actual, specific situations. This involves primarily those who were defeated in war and lost their empires. No peace conference in all history was a debate among political scientists or a discourse of philosophers, nor some sort of a "Sunday school," but rather a confirmation of military victory by means of international agreements or other avenues of international law. During World War I the Central Powers made clear in the Bucharest and Brest agreements what they envisioned in their victorious peace treaty: not just huge war reparations but also enormous territorial annexations, direct or indirect by setting up a puppet state to be completely under the control and domination of the victor, that is, the German victor; Vienna at that time was no more than an assistant.

The critique of Wilsonism and the principle of self-determination of nations perceived this principle in its absolutized version in which Wilson never intended it. The self-determination principle was applied in a way that would not divide nations or national minorities. It is only natural that while the boundaries of the new states were drawn in consideration of the national, ethnic boundaries, they also respected basic geographical, economic, strategic, transportation and other aspects. The only defensible southern boundary of Slovakia was the Danube, not the flat lowlands a little to the north. The only possible boundary of Bohemia was the natural mountain boundary, one that had not changed for 10 centuries and indeed as the only one in Europe (with the exception of the Carpathian boundary between Hungary and Poland) has never changed in written history. The self-determination principle could not be applied to all divided nations and all national minorities; this would have resulted in completely tearing apart and disjoining the entire region and ultimately creating states with zigzag and crooked boundaries, mostly with broken-up communications and economic ties, in other words, creating new but unviable states.

As an example let me cite the situation two weeks before Austro-Hungary capitulated. At that time representatives of the Sudeten German parliament in Vienna, following the collapse of their plans to transform Austria into a "purely German state" according to the Eastern [program] (of 1915, amended in 1916), proclaimed the areas inhabited by Sudeten Germans and even some towns with a German majority in the midst of purely Czech areas to be part of "German Austria" and

demanded to be annexed together with the remnant of Austria to the German Reich. But this would have meant that after a lost war defeated Germany would have become stronger than before the war, regardless of the loss of certain territories and part of the population of Prussia which was awarded to Poland. Such an idea has remained to this day not only unrealistic and naive, but also hypocritical. The possibility of applying the self-determination principle to the German minorities in Bohemia, Moravia, and Silesia (about 3 million) was the same as the impossibility of applying it to nearly 9 million Czechs and Slovaks. After 1918 entire nations such as Czechs, Slovaks, Slovenes, Croats who had had their fill of the position they occupied in the Dual Monarchy, actually had only one chance to create their states: establishing national states.

Austro-Hungarian Federation?

The theoretical idea proposing the creation of a "democratic Austro-Hungarian federation" instead of forming national states was totally unrealistic; it lacked any public support whatsoever while Emperor Karl's manifesto came too late. It is true that such a proposal was put forward twice in the period following the emperor's and king's manifesto. Early in November 1918 Lenin and Sverdlov sent a radio message to Vienna addressed to "all people of Austro-Hungary." In it they agitated for a transformation of the Dual Monarchy for the purposes of a revolution into a federation of the working people of all nations. A second proposal was addressed to the non-Magyar nations of old Hungary. I do not doubt the noble and liberal motives in Oskar Jaszi's autonomy offers, but Hungary's non-Magyar nations had their own experience with the Budapest regime from the 50-year period of dualism, including a policy of systematic suppression of all their national and cultural activities. This had had its consequences: The 1921 census showed a 14.7 percent illiteracy in Slovakia and 50 percent in Transcarpathian Ukraine whereas the rate in Bohemia was only 2.1 percent and in Moravia 2.6 percent. People of non-Magyar ancestry in old Hungary had lost confidence in all promises of this kind offered in the hour of collapse.

In the interwar period east-central Europe was organized into national states according to the system of treaties adopted in a Paris suburb. These states included substantial national minorities (from 20 to 30 percent). Yet not all of them offered adequate protection of minority rights. During World War II all these states were imperiled, destroyed, occupied, or turned into satellites of Germany.

During the war years the idea of reorganizing this part of Europe arose anew and was given consideration. It was assumed that the foundation stone of this reorganization would be a Polish-Czechoslovak federation. This would play a significant role in erecting a wall against an eventual renewal of the German *Drang nach Osten*, [drive to the east] yet at the same time efforts were made to forge mutual assistance and security against Soviet

domination. This idea failed to materialize but not just in consequence of the famous "first Soviet declaration." Differences between the two states in perceiving their role in the postwar world as also their traditions, interests, advantages and disputes were much too substantial. But to say that this was the direct consequence of the failure of the project to join Czechoslovakia and Poland under the Soviets is inadequate and oversimplified. Liberation of these and other countries in this part of Europe by the Red Army was the decisive factor, while the acquiescence of the Western allies (the United States and the United Kingdom) in spite of their overall influence in this region and their total acceptance of the Soviet interpretation of the Yalta agreements was a disappointment. Figuratively put, freedom means the same as *svoboda* and liberation the same as *osvobozenie* only in dictionaries, but not in politics.

Causes of Disintegration

In the beginning of the 1990's this region is undergoing several rather complicated processes simultaneously: 1) the process of rebuilding to a democratic civic society even though the interwar experience with this type of society is not the same in all countries; 2) the process of restoring or dividing two multinational states of this region, Yugoslavia and Czechoslovakia. The causes of the disintegration of these two states in 1991-92 are not the result of aggression, pressure, or threat by some foreign power (although other forms of foreign influence, for instance foreign currency and various sectional interests could be considered). It is of course open to debate whether in the given historical and political situation (the situation in the two aforementioned states differs radically) the disintegration of a conventional federal state is the best solution to all the problems that exist between Czechs and Slovaks, between Serbs, Croats, and Slovenes. My personal view is that it is not, at least in the Czechoslovak case. Today we still lack historical perspective in approaching resolution of these problems. But in each case, one state breaking up into two or in the other case into five smaller and very small units, could easily disturb the balance in this region and make the very small new states minimally equipped to resist political and economic pressures. But the disintegration of both these states will lead to formal change only in their internal order. Their external boundaries have not changed and should not be changed. The same goes for an argument to which the answer should be that after 1918 Czechoslovakia and Yugoslavia were only unavoidable transition points in the emancipation process of these nations. This could be accepted as a satisfactory answer, as acknowledging that the Versailles order which ratified their existence was correct and that it is not dead.

The shared interest of both republics, Slovak as well as Czech, is to maintain much closer ties between them than with their neighbor countries. It will not be easy, especially in the beginning when division of the common state and common property can and probably will create many friction points and a multitude of disputes. I am a

rather old man but I believe that I will live to see the foundation of a new federation or a union of Czechs and Slovaks.

The "Munich Complex"

I am a Czech historian and I remember the prewar First Republic as a child. Some historians and political scientists claim that to this day the Czechs suffer from a total "Munich complex." I agree, but I do not agree with this thesis in the broader sense of the term when it is contended that this "Munich complex" is responsible for events that took place 10 or 30 years later; that this complex is the root of President Benes's capitulation to the Communist coup of February 1948 and responsible even for the signing of the Moscow Protocol by representatives of the CPCZ [Communist Party of Czechoslovakia] in August 1968. And it is especially with the last case that I disagree—those were people with a completely different education, other ways of thinking and a different set of values than those of Benes. But a "Munich complex" really exists in Czech minds, it exists in the collective conscience of the nation as a feeling of injustice, that Czechoslovakia was betrayed by its allies, betrayed not for the sake of "peace for our generation, for our time" but merely for an 11-month illusion of peace. I regret that a large number of Czechs will acquire another burdensome complex in their conscience, the complex of a divided-up Czechoslovak state. It is that three generations of Czechs have come to accept the Czechoslovak Republic as their own state, as the restoration of the historical medieval Czech Kingdom, only with boundaries expanded to include Slovakia. Many Czechs, virtually all of them, are accustomed to think not in a purely national Czech sense but in the sense of a common state. This common state is ending, not by the will of the Czechs. Now we have to build up a new Czech statehood which will not be based on a national but rather a civic principle.

As a historian I know very well that people rarely learn from the so-called lessons of history. But from what lesson could the people and nations of east-central Europe learn after their experience in the 20th century? I think that the best way would be to follow the *modus rejected* in 1945 for reasons of another foreign domination which arose immediately after the German domination. This means accepting the international status quo, but not without added innovations and improvements: with a system of mutual cooperation and commercial exchange agreements and the like, with a legal system assuring the freedom of minority nationalities in all these countries thus preventing their fear that they might be oppressed by the majority but at the same time also preventing the fear of the majority that demands and grievances of the minorities could be misused by other countries and provoke international disputes or even worse, as we know from the past.

It is in the genuine interest of all states in this region to have their own status quo as had been envisaged by the Versailles arrangement. This region cannot risk an earthquake that would be brought about by a wholesale revision of all boundaries under the guise of "liberating the minorities." Any other solution than the present one will create new minorities. Such an attempt at a "general revision" was undertaken in 1938, and we know the results and consequences of the latest successes and revisions. Every revisionism means enmity and war. An attempt of this kind undertaken today will be tantamount to bringing Karabakh and Bosnia to the Danube valley. The whole affair is just like democracy: It has many shortcomings and faults in practice but as Churchill put it, no one has so far invented anything better.

There is one more condition for a renewal of this region and its advance toward building a civic society: a ready and effective help from the rich and (more developed) more advanced countries in the beginning, during the period of transition. This is not begging: After World War II western Europe has not revived solely thanks to its own means but rather with a powerful assistance of the Marshall Plan. People in this region cannot wait for decades longer to see improvement in their standards of living, to attain a full quality of life. A destabilization of central, eastern Europe as a consequence of despair from long unfulfilled aspirations means destabilization and danger for Europe as a whole.

(Delivered at the Bratislava symposium "Politics and History" in November 1992.)

* Role of CR Politicians in Rise of SR Noted

93CH0390A Bratislava LITERARNY TYZDENNIK in Slovak 9 Jan 93 p 1

[Commentary by Dusan Slobodnik, Slovak minister of culture: "Without Hate"]

[Text] As I write these lines, Slovakia's time has arrived, the first democratic Slovak state in history is coming into being. Democratic, independent Slovakia is being born of the will of the majority of Slovak people. This will was forged primarily by the actions of those political forces that embraced the idea of Slovak sovereignty and Slovakia's subjectivity under international law. Thanks to its victory in the elections, HZDS [Movement for Democratic Slovakia] succeeded in achieving in six months what used to be the unrealized wish of generations of Slovak politicians: parity in the Czecho-Slovak government, sovereignty, a constitution of the Slovak Republic, and—after the rejection by the Czech political establishment of the proposal for a confederative setup—the birth of the Slovak Republic.

If we take into consideration that opposed to these goals were not only many Czech politicians, but that progress in this direction was being obstructed even by Slovak politicians who suffered an unexpected defeat in the elections, it can be said without exaggeration that Slovak

history has not seen until now such rapid, purposeful realization of a society's natural striving.

I already said that the Slovak republic is being born of the will of the majority of the Slovak nation; and that this will was influenced mainly by the goal-oriented work of the current political representation in the government and parliament. With the passage of time it will become clearer how much work, how many political struggles it took to reach these political (and through them also economic) goals.

But it must be acknowledged—today already calmly, taking a bird's-eye view—that an unintended contribution to the forging of today's majority that embraces the democratic Slovak state was made by the imprudent (I could use a harsher word, but I shall resort to a euphemism) tactics of many Czech politicians—Kalvoda, Buresova, Pithart, Dienstbier, Benda, Kroupa, Bratinka (I know, I know, he is redeeming his ancestral sin of being Slovak), and—so that I would not name all of them—last but not least V. Havel.

An unintended merit, greater even than that of the named and unnamed politicians, for building the majority will of the Slovak nation war is due to Czech journalists (specifically and especially to those from LIDOVE NOVINY, MLADA FRONTA DNES, RESPEKT....) and the staffs of federal television and radio news broadcasts. Students of journalism and others interested in the course of the disintegration of a state in which one state-forming nation was being denied its right to self-determination, will one day re-examine the mountain of lies, insults, and deceptions which these enthusiasts hurled at the Slovak democratic efforts, at Slovak politics and politicians.

It is not worth mentioning the names of those people of the pen and the microphone. It is possible they believed the myths about the "silent majority" that were spread for reasons of self-preservation by Slovak politicians from ODU-VPN [Civic Democratic Union-Public Against Violence] when they realized that Slovakia rejected them, but more likely Czech journalists wanted to contribute to the realization of the scenario of separating the Czech lands from Slovakia—with the planned sequel where the blame for the breakup and separation will be born by the Slovaks.

They did not realize that an excess of gossip, smears, distortions, and tendentiousness will necessarily have the opposite effect—it will convince those to whom they are addressed that what is being promoted by means of such lies cannot conform with reality. A flood of biased information, accusations, and lies, poured out into the air and onto the pages of newspapers in Slovakia, was gradually convincing those who hesitated.

True, an unwanted credit for changing the attitude toward the idea of Slovak statehood belongs also to, who else, the anti-Slovak-oriented publicists, especially those at home, especially those from Bratislava and Kosice,

but also from Banska Bystrica. I shall resist the temptation to name those who did all in their power to discredit everything that is national, Slovak. Their names are known from their writings. And although these exponents will never admit that they suffered a defeat, that they bet on the wrong horse, the logic of history is unrelenting: they belong to yesterday, and their efforts to change the course of events are futile. They can no longer reverse what happened in Slovakia during the past several months.

And reality, democratic reality, will prove them guilty of not comprehending reality. The methods they used and want to use against Slovakia will be laid bare even more.

Fortunately, many of these malevolents have shown a remarkable lack of professionalism in what they were doing. Here again I could name names and mention the actions they were planning, from the naive attempts to smear the prime minister or cast him as an *estebak* [State Security member] to.... let's say, plans how to get an election campaign under way on television in the first half of 1993 to benefit those who already belong to the past. *Verbum sapientibus sat*. Freely translated: Those whom it concerns will understand.

I called this article "Without Hate." I stand not only by its name, but also by its content. Slovakia is entering history. It will not burden itself with hatred toward those who wanted to stop it when it took flight.

But it is altogether natural that it leans toward those who contributed and want to contribute bricks to the building of the Slovak house, who identify themselves with the prospect of a democratic, all-around development of our society. A society of citizens without distinction as to religious affiliation and nationality, a society whose program is truth, justice, equality. And prosperity.

* Czech Stand in Privatization Negotiations Viewed

93CH0410B Bratislava NOVE SLOVO BEZ
RESPEKTU in Slovak 15 Feb 93 p 9

[Commentary by Alzbeta Borzova, ScC: "The Czechoslovak Privatization Ping-Pong—Three Questions"]

[Text] We have recently witnessed an interesting ping-pong game played by the ministers of the Czech Republic and of the Slovak Republic who are responsible for the privatization program. The Czech side allegedly demands that the Slovak side pay several billions, and justifies it by saying that the value of Czech enterprises offered in the coupon privatization program is higher and that more citizens of the Slovak Republic have made investments in the Czech Republic than the other way around.

This connotation immediately suggests the first question: What resources have been used to build better Czech enterprises, and why are they better than Slovak enterprises?

I think that the answer to this question is crystal-clear: Everything was built from common resources, on the basis of "joint" decisions and "by coincidence" the Czech Republic managed to build better, more efficient, and more competitive enterprises. We should like to note that from this point of view we just cannot accept this method of property division as correct because it fails to consider this fact. The territorial principle of the division that does not take into account the joint creation of assets and investments on the basis of decisions of the then-central government, and that grants the Czech Republic a preferential status because the more prosperous enterprises are located on its territory.

The answer to the first question leads to the second question: Is the demand of the Czech Republic for compensation justified, and what objective follow some of the representatives of the Czech Government?

We are aware that the first round of the coupon privatization program was based on federal laws that—unlike the method of property division—still *de facto* recognized the fact that the assets of the enterprises came from a common source. That also was the reason why the citizens of one republic were also able to invest their coupons in the shares of enterprises on the territory of the other republic. Another factor to consider is that the first round of the coupon privatization program was essentially completed within the federation and thus, the stocks of the enterprises became the property of private persons—privatization of those enterprises has been more or less concluded. We see no reason whatsoever why the privatized property, obtained through the coupon privatization process, should be divided once again since nothing of that sort applies to enterprises privatized before the expiration of the federation by other methods (for instance, direct sale or public auction). Consequently, the only solution in fact is for the Czech side to accept the results of the first—and the last held in the federation—round of coupon privatization; therefore, its revision in the form of "compensation" cannot be even considered. Any speculations along these lines are without any legislative foundation and mean nothing more than some kind of wishful thinking and a hope on the part of the Czech side that it could appropriate for itself additional assets of the former Czechoslovakia to the detriment of the citizen of the Slovak Republic.

And finally, the third question: Can the Slovak Government let the Czech side refuse to honor the already accepted orders from the citizens of the Slovak Republic, and to issue them their stocks?

We think that nothing of that sort should happen. In no instance can the Slovak Government agree to a situation where another country (in this case, the Czech Republic) expropriates assets of our citizens. After all, we should not have to provide any special proof that the appropriation (nondelivery) of private property is anything but expropriation. It would be truly paradoxical if it would

be precisely the representatives of the Czech government—who regard privatization as the foundation of economic transformation—who initiate expropriation of property belonging to private owners. It is the obligation of the Slovak government to protect the interests of the citizens of the Slovak Republic, and for that reason, it must take all necessary steps to protect the private property of our citizens in the Czech Republic, which they have obtained by coupon privatization, and not to permit any compensation between the two funds of national property.

* HZDS Labeled One-Man Political Movement

93CH0410A Bratislava NOVE SLOVO BEZ
RESPEKTU in Slovak 15 Feb 93 p 6

[Commentary by Jan Sopoci: "Quo Vadis, HZDS?"]

[Text] It seems that those persons who predicted that the breakup of the CSFR [Czech and Slovak and Federal Republic] and the establishment of an independent Slovak Republic would step up the crystallization processes on our political scene and its political factors were right on the money. Moreover, they were right when they alleged that the first on the line will be our internal, most heterogeneous political movement that, incidentally, is currently also the ruling one. One month of independence and of related tasks, problems and difficulties sufficed to bring up to the light the internal tensions in the HZDS [Movement for a Democratic Slovakia], which previously had been rather latent or muffled.

Actually, that was no surprise to anyone. For quite a while already jokes have been circulating among our politicians, journalists, and citizens that the HZDS's political-organizational ten commandments begin "I am Meciar thy god. Thou shalt have no other gods before me," or that it is a paradox of our independence that Slovakia is being led on the way to democracy by a movement that is anything but democratic. Even the birds on the rooftops have been chirping for a long time that "Meciar and Knazko find it difficult to get along" but there certainly are some other individuals besides M. Knazko and R. Filkus for whom it is difficult to take a breath in "Meciar's" HZDS.

In this conjunction, it will be most interesting to watch how the HZDS's "core," which is spread all over Slovakia, acts in case of an "internal political" struggle. At this time it appears that both the HZDS leadership of the whole country and of individual districts consistently follows the first rule of conduct in an airplane in an emergency, which stipulates: "First take care of the crew and only then of the passengers." It may be expected that the HZDS members have learned a lesson from the break-up of the VPN [Public Against Violence] and thus, that they will continue to adhere to the axiom "Near is my coat but nearer still my shirt," and to prefer the HZDS's unity to ideological pluralism, which could lead to organizational disintegration of that movement. Finally, even the dissatisfied members of the HZDS

leadership seem to be haunted by a bogeyman threatening that movement with a break-up and consequently with becoming the opposition.

Another matter is whether this movement—which is known for its rigorous ideological, organizational and every other unity à la the chairman of the HZDS—is the best power to govern an independent Slovakia. The first month of our independence as well as the preceding period of the government by the HZDS have shown that this political power was unable to introduce any positive factors into the development of our society (in fact, for the HZDS even the establishment of an independent Slovak Republic was a solution imposed by Klaus). It is the other way around: It has further intensified the negative aspects that emerged under VPN rule and continued also during J. Carnogursky's government.

It is most interesting that despite the increasing new burdens heaped on their shoulders, our citizens remain calm and composed and accept with resignation even their highest political representatives. This puzzles the world, which cannot understand it and envies us such citizens. (After all, who could envision this kind of public tranquillity, for instance, in France, if taxes, prices and levies were drastically raised and wages frozen at the same time?) It seems that in our country today neither presidential elections, nor the fights of the government with the opposition, nor the internal problems in the HZDS can elicit any major public outcry. People have other things to worry about and obviously, they do not give a hoot for politics. Alas...

For those of us who have not given up politics entirely, the process of internal crystallization within the HZDS will not only be a new political theater but also an indicator of the future progress of the Slovak society and state. Whether the HZDS will remain a "one-man movement" or whether it will begin to transform itself into a modern political party will evidently depend on the road on which Slovakia will set out in the nearest future.

* Conflict Between Meciar, Knazko Discussed

93CH0407A Prague RESPEKT in Slovak 21 Feb 93 p 3

[Article by Peter Schutz: "Knazko and Filkus Before Party Tribunal"]

[Text] Slovakia will soon have a new minister of foreign affairs. By openly clashing with the prime minister and chairman of the movement, Milan Knazko wrote his own death warrant. True, he did not have much choice if he did not want to give up his position without a fight. He decided to follow the principle—offense is the best defense—to face the pressure for his position from the top HZDS [Movement for a Democratic Slovakia] nomenklatura cadre Roman Zelenay after his return from the federal government, and the loss of Meciar's favor together with his ministerial position in favor of his former deputy.

He used the last and in fact also the only opportunity which fate presented him for an attempt to save himself—the election of the president. Together with his velvet revolution colleague, Jan Budaj, they concocted a test to see how solid the ranks of HZDS deputies are. Without success. The lobbying for the benefit of a fictitious above-party head of state only produced a backlash and had no practical effect.

Meciar picked up the glove thrown to him promptly and in a manner characteristic of him. As he did two years ago during the breakup of VPN [Public Against Violence], he now again organized "a spontaneous reaction from below." As it was then, so now, too, this reaction was born in Trnava, and purely by chance, as then, its initiator was Arpad Matejka, at the time a deputy in the National Council of the Slovak Republic. Trnava Initiative No. 2 was born, a conclave of 22 chairmen of HZDS okres committees (not even half of the okreses). Apart from Knazko's case, the "okreses" also recommended Filkus' case for determination.

The special tribunal, which met a week later in response to the "initiative from below," naturally gave full support to Meciar. The HZDS arbitration committee found that Knazko's and Filkus' statements were a breach of the movement's statutes. The final nail, however, was not yet driven into their political coffin. Surprisingly, in favor of punishing Knazko were only 15 members of the tribunal, including Meciar, which, considering the 22 abstentions and 15 votes against, was not sufficient.

Meciar left immediately after the voting for an unknown destination and broke off communications with those around him. He did not even tape the Ten Minutes With the Prime Minister, and according to official sources he was allegedly sick for a whole week.

The final verdict on the prominent dissidents will only be pronounced at the HZDS congress in March. Here a distinction must be made between the attacking Knazko and the passive defender Filkus. The first will be ruthlessly stripped of all his ranks, but the former deputy chairman of the federal government might still save for himself some ambassadorial post by expressing effective remorse. The hopeful chief of the Slovak diplomatic service will soon become the second independent deputy of the SR [Slovak Republic] National Council.

In the unequal duel between the first and the recently still second man in HZDS, it was clear from the beginning who the victor would be. Although Knazko cut Meciar's confidence rating from 44 to 34 percent, it is still without question the highest.

The prime minister wisely refused to accept the offered method of combat—discussions in the media—and forced his opponent into a contest on the home playing field where he could not lose. It is not by chance that the resolution of the tribunal also features the safety measure that the conflict will no longer be aired in the media. It so happens that a considerable part of the press has made no secret of its sympathy with the weaker contestant. It

looks as if Knazko's choice of weapons was propitious, even though it could not lead to success. After his execution is carried out, whether by the future president who can recall him, or by the HZDS congress along the party line, Knazko will be given a martyr's crown of thorns and his stock will go up sharply.

He deserves to be conceded one good point. He helped bring about a historic breakthrough. To gain supremacy over Meciar on the media front, that has not happened here before.

To the Slovak reader the conflict is presented either as a routine matter of content, or as a conflict of views on the form and method of practicing politics, possibly as the beginning of a "differential stress" within HZDS. All that is nonsense that puts Knazko and Filkus at a level where they neither are nor should deserve to be.

As far as the presumed differences in the concept of foreign policy are concerned, it mostly amounts to emphasizing the contradictions on the question of SR defense doctrine. Here it must be noted that Knazko's latest unequivocal statements (for example, on Tuesday for Hungarian television, where he said that there can be no other alternative for Slovakia other than orientation toward the NATO structures), are of too recent a date to be perceived other than as a calculated shift made recently just in order to distinguish himself from Meciar, who, as is known, is under the influence of a powerful gravitational pull from the East. It is true that the minister of foreign affairs has been fine-tuning his emphasis to give it a little more pro-Western shading, as has been the custom with this group already for some time, but in no way a sufficiently long time and clearly enough so that one could believe that it comes from an inner conviction.

As far as manners and forms are concerned, Knazko is unquestionably right when he criticizes Meciar's various lapses and faux pas, which are undoubtedly spoiling the "true picture" of Slovakia in the eyes of the world. But the credibility of his effort to instruct the prime minister on proper deportment is put in question by the fact that he himself in his time applauded him for similar displays.

Simply put, the truth really is on Knazko's side. But the catch is that truth is on the side of anybody who ever started something with Meciar. To have a conflict with the prime minister of the Slovak Government and be in the right simply is not an accomplishment, it is a given. Knazko's problem lies somewhere else—he began to proclaim his truth and distance himself from Meciar only when the prime minister went after his head.

The genesis of the conflict between Meciar and Knazko is to be found in the personal antipathies of both actors. Their alliance was formed, as was the entire HZDS, on the basis of a common outside enemy. Now that the outside enemy is gone, they are looking for an enemy at home. For one thing, within the framework of Slovakia (I hope I do not have to give examples), but also within the

movement itself, whose broad wingspan and composition provide a downright limitless scope for such processes. And if someone were to see in these developments certain similarities with the situation among the communists after February 1948, it is not a similarity that is purely coincidental.

* Egon Bondy Intends To Live in Bratislava

93CH0345A Bratislava SLOBODNY PIATOK in Slovak
29 Jan 93 p 8

[Interview with Czech writer and philosopher Egon Bondy by Ruzena Wagnerova; place and date not given: "Recipe for Health: No TV Watching"]

[Text] *The poet, writer, and philosopher Egon Bondy, by original name Zbynek Fiser, is in Slovakia known especially among intellectual circles. This unconventional personality has been visiting Slovakia increasingly more often in recent months.*

[Wagnerova] Mr. Bondy, I heard that you came to Bratislava with a measuring tape in your briefcase.

[Bondy] I came without a measuring tape but borrowed one in Bratislava.

[Wagnerova] For what?

[Bondy] To measure my room and figure out where to put my bed.

[Wagnerova] Are you perchance preparing to move?

[Bondy] Something of that sort. I will shuttle between Telc where I am presently staying in the pure air of the Vysocina, and Bratislava.

[Wagnerova] Why not between Telc and Prague to which you have been close all your life and to which you dedicated many a verse?

[Bondy] I am definitely leaving Prague. That city has been sold out. It was seized by Czech "yuppies"—enterprising young men with healthy conservative ideas on how to steal. That is what passes for progress. They wear the most modern ties, dress splendidly like Mr. Klaus, smoke American cigarettes only, and drink only French cognac. And that is what I do not care to watch if I do not have to. The creative spirit which had long resided in that city is also being lost. Why should I be a witness to that when there is a city where creativity in the arts and sciences is bound to grow? It will grow even if the political and economic conditions here will be of the worst kind. The Slovak ethnic community and its intellectual representatives truly have nowhere to go but upward. Otherwise it will dissipate.

[Wagnerova] And this attracts you.

[Bondy] Of course. It is precisely this awareness that eludes the Czechs. In Bratislava I have friends and have come to like it here aesthetically. I need a big city where there are libraries and a cultural life.

[Wagnerova] Are you coming to help its development?

[Bondy] That too. But look, music is doing well. Slovak graphic arts also are reaching up to the highest world standards. It is a tremendous opportunity, something that together with science can supply the foundation for winning international prestige for Slovakia. Not only by way of tourist attractions or industry.

[Wagnerova] Do you have something specific in mind?

[Bondy] For instance translation of the Tao Te Ting Chinese philosophy that the sinologist Dr. M. Carnogurska is working on and in which I am assisting her. It had not been translated anywhere in the world. When it is published I can grab it say in Paris, but the original text will be in Slovak.

[Wagnerova] What sympathy do you show toward Slovakia's emancipation efforts?

[Bondy] I sympathize with them. Another matter is that I myself would have preferred a union or confederation to erecting customs houses. Naturally, from the outset it was the interest of the new Czech bourgeoisie to be rid of Slovakia. It is said that without it the Germans will be more inclined to buy the Czech lands and the Slovaks might as well join the Balkans. All this was cooked up in Prague.

[Wagnerova] It is said of you that you are a born oppositionist. You criticized the previous regime and give no quarter to the present one either.

[Bondy] I assure you that I am not intolerant. Neither do I want to be always criticizing something. My quiet desire has always been to join in a certain common endeavor where I can have my share of the work.

[Wagnerova] And yet you say about yourself that you are lazy?

[Bondy] Yes, I am lazy and therefore I would choose work which would not be hard on me and which I would perform honestly.

[Wagnerova] How can you square laziness with honesty in work?

[Bondy] But they are not mutually exclusive. One can lie in bed and turn out work with precise scientific attributes.

[Wagnerova] So when you lie in bed and think, what future do you forecast for Czech-Slovak relations?

[Bondy] As long as the top posts will be held by the two who hold them now, for some time they will create

mischievous for one another. But a somewhat longer perspective is based on the profound feeling of kinship between both ethnic communities and their cultures. We are very close to each other.

[Wagnerova] Which newspaper do you most like to read?

[Bondy] I do not do much newspaper reading.

[Wagnerova] Do you watch television?

[Bondy] I have never seen a television newscast in my life. This is how I keep my health. I am an emancipated person and therefore prefer to shop and sweep. Only dishwashing I do not like.

[Wagnerova] F. X. Salda writes that democracy exists only in theory. What does E. Bondy think?

[Bondy] Democracy to a philosopher must mean minimally that the individual must have equal if not a hairbreadth greater rights than the highest social authority. Otherwise the citizen cannot defend himself and democracy becomes a sham. This applies to conditions in a direct self-governing society toward which we still have a way to go.

[Wagnerova] Do you mean to say that politicians pay no heed to the citizen's opinion?

[Bondy] I am afraid that especially in the Czech lands this is strikingly the case. The citizen is being bamboozled by promises, rosy pictures painted for him. Silently mechanisms are being created to hamper his right of expression. In a word, his opinion is not taken into account.

[Wagnerova] Is it not also because the citizen is not well "schooled" in this regard, does not know how to conduct himself?

[Bondy] Since 1938 we have lived in conditions of no democracy. At least two generations have grown accustomed to it. They got accustomed to fear of expressing their view and some got accustomed to laziness. They think it is enough to blow off steam only at home or in the streetcar. They do not know how to go about it. The present leadership, if it respects the citizen, ought to teach him how. But in reality it does the opposite. The leadership is taking advantage of citizen apathy and inertia. But this means that it is abusing the citizen and does not intend to put democracy into effect.

[Wagnerova] Does it matter to you who will be the Czech president?

[Bondy] It does not. If it is Havel it will be a disgrace. If someone else is elected it will be something out of Schweik.

Macedonia

Problems of Independent Newspaper NIO REPUBLICA

93BA0592A Skopje NOVA MAKEDONIJA in
Macedonian 30 Jan 93 p 4

[Article by P. Dzhi: "The Editor in Chief of the Newspaper Replaced"]

[Text] Press conference of the director of NIO REPUBLICA.

The director, Gotse Trajkovski, says that he needs true independence at the newspaper, the orientation of which has to be the public, the readers, and journalism.

In the offices of NIO REPUBLICA yesterday the director, Gotse Trajkovski, held a press conference at which he reported certain reasons why the newspaper REPUBLICA repeatedly is not printed.

According to his words, there are technical reasons (a great problem when there are restrictions on electrical energy), but also other reasons that relate to the newspaper itself, its conception, and its orientation as an independent daily newspaper.

On this occasion director Trajkovski informed the public that the editor in chief, Vlado Mokrov, was replaced the day before yesterday, which, according to his evaluation, possibly will entail other staff changes. The director himself announced the replacement of the editor in chief, that is, as Trajkovski says, it is not being done because of doubts about his journalistic qualities but because of the political orientation and conception, which compelled him to intervene in the editorial policy. "My intention is for REPUBLICA to be a newspaper oriented toward the public, the readers, and journalism, not to be concerned with the competing newspaper (N. MAKEDONIJA), and not for the public to be able to identify REPUBLICA with a certain political formation, so that it cannot become an instrument of a political party," which would cause, as he says, the fate of the newspaper to depend on the elections.

"My relation to all the information houses is the same; the most important thing is that there is competition, and the quality will be proven on the market," says director Trajkovski, then expressing certain views of his concerning the way the competing company now must be restructured, especially with respect to the publishing house. It seems that, with respect to the staff changes that have already been carried out, the director has expressed his opinion that there are appropriate institutions for expressing dissatisfaction, but also that those who are dissatisfied do not have to resort to dishonest games, but, as he says, if they intend to publish their own (other) newspaper, that they will be supported, and even that free computer preparation of two issues will be furnished for them.

To the question of who are the owners of REPUBLICA, Trajkovski answers that he himself is a real owner and that the Macedonian Government may be a partner, according to all known criteria. Trajkovski also reported that the newspaper will not publish next week at all, that when it will sell a regular issue it will publish once a week until conditions for daily publication are created (which will depend on the provision of technical-printing conditions), and that it is up to the journalists themselves to decide if they will perform their professional duties.

Among other things, director Trajkovski also presented some concrete examples of the contents of REPUBLICA with which he personally did not agree, such as, for example, pointing to the last issue of the newspaper in connection with the personality and the leadership of the foreign policy of President Kiro Gligorov, then emphasizing a number of things which he personally told the president. In this context, he asks what is being done about the recognition of the Republic of Macedonia, when the economic devastation, the great acts of theft, and the idleness of the Parliament are known, but also pointing out that the recognition has to be supported in writing, but not from the aspect with which the competing publishing house is concerned.

Finally, director Trajkovski expresses a hope that the new issue of REPUBLICA will deserve the attention of the public.

[Box, p 4]

The newspaper REPUBLICA came out last year as a first private daily newspaper. Its owners and publishers were Gotse Trajkovski, Jordan Plevnesh, and the French citizen Jean Christophe Notijas. The newspaper was directed from Paris. After several months of publication it fell into financial difficulties and ceased to be published. In addition to this there was material damage to NIO NOVA MAKEDONIJA and the "Prosveta" publishing house from Kumanovo.

During a pause of several months, the editorial board of REPUBLICA lost the majority of the journalists. From those who remained in the editorial board and by bringing journalists from abroad, the owner and publisher, Gotse Trajkovski, recently caused the publication of the heir of REPUBLICA, the weekly REPUBLICA 7. It appears that right from the beginning of the publication of the weekly there has been a conflict concerning the publication policy. Evidently, this culminated recently, but the result is not the publication of REPUBLICA 7.

*** Military Doctrine, Geopolitical Views Discussed**

93BA0623A Skopje NOVA MAKEDONIJA in
Macedonian 26, 27, 28, 29 Jan 93

[Article in four installments by Dr. Slobodan Dimiskovski: "Macedonia's Military-Political Position and Defense: What Kind of Defense Doctrine?"]

[26 Jan p 2]

[Text] The Republic of Macedonia is in a phase of completing the establishment of its statehood as a sovereign and independent state, and in that framework, it also has to solve the problem of defense and the protection of its sovereignty and territorial integrity, as the highest national and state interests. That is because if those values are not protected and are not defended, in view of the several unfavorable circumstances facing the Republic of Macedonia at this historic moment, and also in the immediate future, those values could be threatened by those forces that have historical and current claims upon parts or all of Macedonia's territory. Furthermore, one must bear in mind the modern military-political practice that with the existence of an imbalance of power in a given region, such as the Balkan region is at this moment, the states that have a given "surplus" of power, especially military power, try to use it to achieve some of their own "national" and other interests. It is well-known that all of our neighbors at this moment, and probably in the future as well, will have a "surplus" of military power. In view of the historical and also current open or concealed claims by almost all the neighboring states upon parts or all of Macedonia's territory, the Republic of Macedonia's defense doctrine and strategy should give an answer as to how and in what way, and with what forces and resources, our republic can protect and defend its sovereignty and territorial integrity.

Unilaterally for a Nationwide War

In connection with this problem, from the otherwise infrequent articles in the public news media, one can note that some authors from the Defense Institute wholeheartedly recommend the doctrine and strategy of a national war (nationwide defense) as the most appropriate model for organizing the Republic of Macedonia's defense. The national war model is not and cannot be controversial, but what is nevertheless controversial is that these articles examine that model in the form of pure territory, without considering that model's applicability in Macedonia's defense doctrine and strategy. It is unnecessary to prove that Macedonia is neither Vietnam, nor Algeria, nor Afghanistan, and the potential aggressors are not the Americans, French, or Russians. That kind of approach conceals great dangers of an uncritical acceptance of other people's military experiences and even our own, and their being grafted onto the completely different sociopolitical, geostrategic, and other conditions characteristic of our republic. There are many reasons for a possible uncritical acceptance of the doctrine and strategy of a national war, since that doctrine was used in our National Liberation War (in accordance with the conditions prevailing on the territory of the former Yugoslavia), and then it was also the official defense doctrine of the former Yugoslavia, from which real possibilities arise for an oversight with respect to facing the changes in certain elements that are significant for formulating the basic postulates of Macedonia's defense doctrine and strategy in modern conditions.

In contrast to the authors who advocate using the national war model as the most appropriate model for organizing our republic's defense, the Law on the Defense of the Republic of Macedonia (Article 19) provides for the formation of only one component of the armed forces—an operational army and a reserve force, without a territorial armed forces component. That should mean that the legislator decided to base the defense on a classic defensive system, which is extremely difficult to accept, and one might say is completely unacceptable in the general and special military-political conditions facing our republic. It can be assumed that the legislator probably decided on that kind of model for the armed forces because of the fact that such a model proved to be nonfunctional in a multinational state community like the former Yugoslavia. There are, however, serious reasons of strategic significance for not abandoning that component, and instead for thinking of ways to include it in the defense system, since territorial defense is the force that imposes prolonged opposition and resistance upon the potential aggressor, and also because of the fact that today there is no state that does not organize territorial defense in a certain way.

Without a Similar Example in Europe

Accordingly, the national war model, which has been confirmed in world historical practice as the most successful model for defending small countries against the much superior forces of the possible aggressor, is not controversial. What is controversial is that such a model can successfully perform its defense function as long as there are specific general conditions for application of the national war doctrine, the more significant of which are:

- the war should be defensive in nature, and should be waged on one's own territory;
- there should be a correlation between the political war and the national war, i.e., there should be a general will and determination on the part of a majority of the population to defend the country's freedom, independence, and territorial integrity at any cost and with all available forces;
- there should be objective conditions in the political and military factor for all people and material-technical and intellectual resources to be included in the armed struggle and the war;
- there should be a certain degree of preparation and training of the population, the economy, and public services for armed and unarmed resistance.

If at least the most superficial analysis of the historical, geographic, geopolitical, geostrategic, demographic, and other unique features is conducted, it will be determined very easily that in many of the components important for its defense our republic is so unique that it is without any parallel in Europe and even in the world. We will point out just a few of these unique features:

—our republic's total territory is relatively small and closed, without river access or direct access to the sea, which represents a negative economic and military-strategic factor, in the sense of accepting possible outside assistance. Of all the European countries, only Switzerland has that kind of geographic situation.

Our republic is very directly surrounded on all four sides by neighboring countries that throughout a rather long historical period, and still openly or secretly, have claimed parts or all of Macedonia's territory, something that is unparalleled in Europe and even in the world. That geographic and geostrategic situation means that the goal of any potential aggressor would not be the occupation of the republic, as a temporary situation, but rather annexation as a permanent situation, the denationalization of the Macedonian people, and the destruction of its historical identity;

—the most problematical element for the overall application of the national war doctrine (nationwide defense) is the relatively small demographic potential and its internal structure, but it is precisely this demographic potential that represents the biggest advantage in the doctrine and strategy of a national war since, in principle, the aggressor cannot bring as many soldiers to the battlefield as there are people in this area. That means that the forces defending themselves will always have a marked superiority in manpower, with which they can compensate for the aggressor's superiority in military technology and other equipment. In spite of the relatively small demographic potential, the internal structure of that potential consists of a population that is mixed in terms of nationality and religion, which proved to be nonfunctional in the application to date of the national war model.

Through the above observations and views, we wanted to point out the full complexity of the defense problem, as a condition for our survival in this region and the preservation of peace in the republic, the dangers of any uncritical acceptance of foreign and even our own military experiences, and a failure to face the major changes that have occurred in social and international relations, as well as in the sphere of armament and military equipment.

It can be seen quite clearly from the above unique features of the Republic of Macedonia that in many respects our republic is a quite "atypical" country, which leads to the necessity of finding "atypical" or original solutions, and that requires a studious approach to this problem, a great deal of knowledge, and collective intelligence.

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[Text] Most Western theoreticians base their views and concepts of the role of force, and primarily of war, in international relations on the standpoint "that of the numerous factors that have a decisive influence on the behavior of states in their mutual relations, force plays

the most important role." According to these concepts, politics is essentially a struggle for authority, i.e., a struggle for power in order to use it for the maximum achievement of political goals.

The initial basis for the theories of the place and role of force in international relations in the West consists of the so-called theory of pure politics. According to the authors of this theory, "the struggle for power is the same thing as the struggle for life, and the constant improvement of positions in the possession of power represents the primary goal of the state's domestic and foreign policy...."

In contrast to the theory of "pure politics," which proceeds from the standpoint that force is a decisive factor by which states are guided in international relations, the so-called realistic school proceeds from the fact "that the national interest is the key motive guiding states in international relations, and that interest can be fulfilled or defended only by force."

On the basis of the above theories and concepts of the role of force in international relations, one could conclude that force, the most concentrated expression of which is military force, is one of the vital factors that in the final analysis has a decisive influence upon the behavior of states in international relations.

All world historical and current military and political practice, especially since World War II, both in the West and in the former East, confirms the above theoretical concepts of the role of force in modern international relations, although that threshold for the use of bare military force as an instrument of politics has been somewhat lower during the last decade in comparison with the previous period.

If that is the case, and obviously it is, then the overall situation, and especially the geostrategic situation, of Macedonia and its immediate environment suggest the conclusion that the Republic of Macedonia, as long as it wants to preserve its freedom, independence, and territorial integrity, must possess a certain quantum of military power as the most effective means of resisting and defending against a possible aggression. The issue is only how large that quantum of military power should be.

Establishing the Size of the Armed Component

In modern military practice, every state, in determining the scale of its armed forces, in terms of both volume and quality, proceeds from an assessment of all those factors which represent forms of a possible threat, as well as an identification of the possible enemy, with the most significant element of this assessment being the overall balance of power. Essentially, this means that one should establish the quantum of military power that will act as a deterrent with respect to the enemy, i.e., as a means of deterring the potential enemy from a possible aggression against that state.

A deterrent is a relatively new concept in military theory, and in practice it means a restraint. For states that possess nuclear weapons, the very possession of those weapons and the possibility of using them against the potential enemy in order to inflict intolerable losses on it represent the main means of deterring a possible aggression. The states that do not possess nuclear weapons, especially those outside of military-political alliances, use as their main means of deterrence the armed forces, the scale of which is established in such a way that with their size and technical equipment, together with other elements of force and power, they can perform the function of deterring the potential aggressor or aggressors from attempting aggression.

The Republic of Macedonia, for several well-known reasons, is not capable of possessing armed forces whose large size and technical and technological power could represent an effective means of deterring a possible aggressor, primarily because of the extremely unfavorable balance of power with respect to each neighbor individually. Nevertheless, if there is anything new in this area, it is the change in the criterion for deciding on aggression against a given country.

Human Losses the Basic Criterion

The main reason for the changes in the criterion for deciding to embark upon aggression, above all, lies in the sharply expansion of an antimilitaristic and antiwar consciousness on a world scale, especially since the Vietnam war. It is well-known that the pressure from the U.S. public grew in parallel with the mass return of U.S. soldiers to their homeland in coffins. That pressure from the public also spread to Europe and other parts of the world, and grew into a strong international movement that led to human life's acquiring the high price and value that it merits. Thus, the expected number of human losses in the planned military intervention has become the top criterion in deciding to carry out a military intervention and aggression.

Thus, in modern military and political practice, the actual balance of power, although extremely significant for the success or failure of military intervention and aggression in general, is relativized, and the possible number of human losses in the planned military intervention and aggression is considered to be the main criterion for deciding on a military intervention and aggression.

In the military and political circumstances in which our country finds itself, the actual extremely unfavorable balance of power with respect to the neighboring states could be relativized and compensated for through the existence of the kind of armed forces that would be capable, together with the other elements of the defense system, not of destroying the armed forces of the possible aggressor, but rather of inflicting intolerable human and other losses upon the possible aggressor. Without that quantum of military power, such a situation would represent an incitement in certain conditions, and one of

the potential claimants could easily decide on aggression, since it knows that no significant human and other losses await it.

Several critical comments could be made regarding these observations and views, for instance: that the Balkans are not the same thing as the West, where whenever war is involved human life has a high price, public opinion is mobilized against the country's military involvement, and that whenever war is involved in this Balkan region human life has a low price or none at all, which can be seen quite clearly from the current war that is being fought in the former Yugoslav region, as a product of the radicalization—to the point of absurdity—of nationalism, chauvinism, and religious intolerance and hatred. On the other hand, the Macedonian economy is so exhausted that it is not capable of allocating any significant resources for its own defense. These observations are also not unfounded, and accordingly, the criterion for decision on a possible military intervention and aggression on the basis of the anticipated human losses, as a valid world criterion, is not applicable, at least not in the overall Balkan region. It is true that the Macedonian economy is exhausted and that it is not capable of allocating any significant resources for defense, but as far as the armed forces are concerned, this is a question of forming an armed force that is small in size, but effective in its impact, which is currently armed mainly with light weapons, but with the division of assets will probably improve the quality of its technical power, so that the resources that would be allocated for defense would be in the range of the financial resources that the Republic previously allocated for these purposes.

With respect to the criterion of the anticipated human losses as a criterion in deciding on aggression and its applicability to the Balkan region, we think that the brutality of the war in the former Yugoslav region is bringing to light all the horrors and suffering of people guided by a blind nationalistic and chauvinistic policy, in which all the participants will be big losers in the end. The balance of the casualties and suffering in this war cannot help but leave a trace in the consciousness and behavior of the peoples, not only in the former Yugoslav region, but also in a much broader area, in the sense of sobering up from nationalistic intoxication and the obsolete myths of creating huge national states at the cost of other peoples and states.

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[Text] The geostrategic situation and the direct encirclement by the neighboring states, which have historically and currently, openly or in a concealed manner, claimed parts of the territory or the entire territory, represent the most threatening external factor for the Republic of Macedonia's security. It may seem paradoxical, but that fact, in spite of all its negative aspects, has and can have a positive aspect as well, arbitrarily speaking. In a certain sense, the Republic of Macedonia's current geostrategic situation is very similar to the geostrategic situation of the former Yugoslavia during the period of the Cold War

and the bloc confrontation between the superpowers, in whose area, influence, and possible presence both superpowers were interested almost daily, and the former Yugoslavia skillfully utilized that as a means of deterring a unilateral armed aggression.

The permanent geostrategic situation and the direct encirclement of the Republic by several claimants to its territory, which have historically and currently considered that territory to be a "vital national interest," can have a dual significance: extremely unfavorable with respect to the potential possibilities for a threat to the Republic of Macedonia's security, and, arbitrarily speaking, favorable in the sense that in deciding on a possible aggression the potential aggressor, in addition to the military and overall defensive power that the Republic of Macedonia possesses, will also have to consider the possibility of interference in the conflict by one of the other claimant states and its military power. In that sense the geostrategic situation can represent a passive means of deterring the potential aggressor or aggressors.

In view of historical experiences and certain current indications, one could also raise the question of whether there is a possibility of a mutual agreement among several of the claimants to Macedonian territory on some sort of "new partition" of Macedonia. Theoretically, that possibility exists. Nevertheless, the main weakness and infeasibility of both the variant that one of the claimant states might intervene directly with armed force, and the variant of a possible new partition of Macedonia, is that those who are aspiring to Macedonian territory are at the same time also aspiring to join in the European integration processes. Europe, however, as is well-known, sets very clear and precise standards of behavior for something like that, in both internal and external relations. Consequently, the aspirations for forcibly changing state borders and for territorial expansion at the expense of other peoples and states, and the aspirations for joining in European integration processes, are by no means compatible.

Politics in the Service of Defense

With respect to the external threat to Macedonia's security, at the present moment there is a possibility of the current war in Bosnia-Herzegovina spreading to the other areas of the former Yugoslavia, which would inevitably encompass our republic as well. As a second variant of a possible armed intervention and aggression against our republic, if there were major internal disruptions and a possible interethnic conflict, and in response to an invitation to certain external forces, or even without any invitation whatsoever, one of the neighboring states could interfere in the internal conflict and intervene with military force.

Politics as a science and art is the political factor that has a decisive influence upon society's direction in political, economic, and overall social development, and that determines the goals and tasks of domestic and foreign

policy, which represent the basis for constructing and formulating the political, diplomatic, economic, and military doctrine and strategy. All those orientations and doctrinal and strategic solutions have a decisive influence upon the country's defense and the construction and formulation of military doctrine and strategy. That means that the army does not have a goal of its own, since its goal is determined by politics, and the army is only an instrument for achieving the goals of politics, and consequently, in a sociopolitical sense, the armed forces have neither a progressive nor a regressive role in society, since their role and their goal are determined by politics and the forces that stand behind those politics.

Another conclusion can follow from this, namely that in principle, war is won or lost by politics and not by the armed forces, something of which there are many examples in history and in modern developments. Nevertheless, although politics determines the goals and role of the armed forces, and the armed forces are only an instrument for achieving the goals of politics, the armed forces in which society's largest physical force is concentrated, through the military leadership, exercise a feedback effect upon politics, which may be small and insignificant, or may be large and decisive, depending on the nature of social relations and the degree of democratization of the given society.

The political strategy of the Republic of Macedonia has still not been formulated as a well-developed strategic concept, but from what is written in the Macedonian constitution and what has been publicly declared about the nature and goals of domestic and foreign policy, one can discern the basic principles and goals of the political strategy. From the standpoint of defense, the orientation of the political factor is extremely important for the broader development of democratic processes and the establishment of a civil law-governed state, thus creating the prerequisites and conditions for the stabilization of internal political relations, as an element of strategic significance for the Republic of Macedonia, since possible internal disruptions, especially in interethnic relations, and the political destabilization of the republic could represent a serious provocation for possible outside interference in internal conflicts, the consequences of which may be tragic not only for the Macedonian nation and the Macedonian state, but also for all the citizens of Macedonia.

The Significance of the Political Strategy

The political strategy's orientation externally toward good-neighborly relations and overall cooperation with the neighboring states, without historical and other encumbrances, based on open borders and the free flow of people, ideas, and capital—not just as a declaration, but also as active efforts by politics in that direction—will contribute a great deal to the affirmation of the

Republic of Macedonia, not only in Europe but elsewhere as well, as a peace-loving country, without territorial claims upon its neighbors, and with open cooperation with all the neighboring states, even those neighboring states that are openly hostile toward our country.

From the standpoint of defense, that political orientation and the political factor's practical behavior in foreign policy relations will reduce, and possibly even completely eliminate, the tensions and conflicts in relations with the neighboring states, thus removing the reasons for an exacerbation of mutual relations from which conflict situations, including even an armed conflict, can result.

That political strategy, from the republic's independence to this very day, has resulted in an indisputable fact—the preservation of domestic political stability and the preservation of peace in this region of ours, in contrast to some other former Yugoslav republics which, in resolving internal conflicts, are trying to rely on the force of arms, which leads to terrible sufferings and personal and family tragedies for millions of people on the territory of the former Yugoslavia.

Accordingly, a principled and well-considered policy can contribute a great deal to creating more favorable military and political conditions and prerequisites for reducing possible dangers of a threat to the country's security than reliance upon mere military force. This is quite clearly confirmed by the military-political practice of several former Yugoslav republics, whose political leaderships do not lack a knowledge of political processes, but rather lack the knowledge of a realistic assessment of the social power of force, especially military force, in modern sociopolitical conditions and relations.

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[Text] In military-political theory, a balance of power is understood to mean that states attempt to establish an approximately equal relationship in the amount of force among individual states or a group of states. This theory proceeds from the fact that a certain power—meaning primarily the military power of one state or a group of states and their ability to use that power in international relations—cannot be blocked by anything but the same kind of power of another state or group of states. A general conclusion follows from this that it is best for the stable position of a given region or for the entire international community if the power of the states in the region or in the entire international community is equal or balanced. It is considered that in those conditions, no state or group of states has a chance of achieving specific interests by means of force and aggression at the expense of another state or group of states.

In the prenuclear era, the possibilities for disrupting or establishing a balance of power were mostly sought through increasing one's own military power by means of

increasing the effectiveness of weapons, a more favorable deployment of forces, the acquisition of new allies, better training of the armed forces, the morale of the armed forces and the people, etc.

Two Variants for Defense

Since our republic is located in a zone in which the use of nuclear weapons, in principle, is not under consideration, all of these elements are applicable in the sense of increasing our republic's military power, but they are quite insufficient for actually establishing a balance of power. In the conditions in which the republic finds itself, there are mainly two possibilities for alleviating the imbalance of power with respect to our neighbors and establishing some sort of balance, namely an alliance with one of the great powers, or direct participation in the European security and defense institutions.

The first variant is rather problematical, since Macedonia actually does not have traditional friends among the great powers—on the contrary, throughout its entire history, it has been in conflict with those great powers because it was the object of their narrower state interests. Those circumstances, however, have completely changed, so it could be said that at the moment our republic has fairly good relations with almost all the great powers, but their interests with respect to our republic are still not clearly differentiated. In that context, the Russian Federation's recognition of Macedonian statehood merits recognition; this represented a reversal in Russian's strategic tradition of fulfilling its interests with respect to Macedonia through Bulgaria, and usually to the detriment of Macedonia. In spite of this, however, politics should make attempts and efforts to create various forms of friendship and cooperation, and even alliance relationships with all those great powers which can play the role of protectors of the Republic of Macedonia's national and state interests, as long as the country is not put in some sort of subordinate position, as has been the case with some of the former Yugoslav republics.

The second variant (direct participation in the European security and defense institutions) is much more realistic and feasible in a more short-term outlook, but in view of those institutions' slow reaction in the event of crisis situations or possible aggression and possible changes in international relations, the Republic of Macedonia's defense must nevertheless rely primarily upon its own forces and its own defensive capability, based on the possession of a given quantum of military power and a well-organized civil defense system.

What Is This Demilitarization?

The idea of demilitarizing the republic has been in circulation in the republic, as a solution for eliminating the dangers of a possible aggression and for the republic's security. We feel that the idea of demilitarizing the republic is very humane, antimilitaristic, and economically very rational. Just as an illustration, let us state that

Germany's economic prosperity immediately after World War II, for example, was due among other things to the fact that Germany was demilitarized, and as such, for a decade it did not allocate a single mark for defense, while the other European countries at that time were allocating from 6 to 9 percent of their national income.

In military-political practice to date, however, there has been no case of a state's seeking to be demilitarized of its own will, since according to the UN Charter, war is prohibited and declared to be an international crime, but by the same Charter, every country has the right to its own defense and within that framework the right to possess armed forces, as the most effective means of defense and a constituent element of the state. Likewise, in military-political practice to date, demilitarization has been used as a punitive measure by the victorious state or states against an enemy defeated in war, with the defeated side being obliged not to station military forces or deploy military installations on certain parts of its territory. Those obligations can be harsher or lighter than those cited, such as, for instance, eliminating mandatory military service for the entire population, banning the production of certain military materiel, etc.

Accordingly, the idea of demilitarization is truly humane and rational from an economic standpoint, but this idea (in the present conditions of general political instability in the entire Balkan region and beyond the Balkans), ineffectiveness, and slow procedure do not permit rapid interventions by European security institutions, just as the EC's disunity and its unprincipled conduct, which was particularly fully manifested in its attitude toward our republic, do not offer guarantees for our republic's security, and there are also no realistic conditions for such an idea to be fulfilled in any near future. We think that the idea of a neutral status for our republic would be much more realistic and more favorable, since that status permits the possession of military forces so that the republic would not be "like a village without dogs," but at the same time it also offers international guarantees for its security.

Interdisciplinary Approach in Defining the Strategy

And in conclusion, in such situations, when any new military-political doctrine and strategy are being constructed or previous ones are being radically changed, in Western countries numerous scientific institutions and individuals are included in that job, and usually a fairly broad public discussion is conducted on finding more suitable solutions in the interest of that society. The fact that during these two years the competent authorities and institutions have not found it necessary to organize any sort of discussion of this problem whatsoever (a round table, scientific or other gathering, etc.) is therefore surprising, especially if one bears in mind that the permanent officer corps is organizationally still disordered, and there are relatively few of our officers who were previously in the kind of positions and in the kind of military institutions in which such doctrinal and strategic documents are created and developed. This also

gives rise to the need for broader inclusion in this process of all those who can make a definite contribution in improving the quality of the doctrinal and strategic documents, not only from the military structure, but also from all those scientific disciplines which have a direct or indirect connection with certain segments of the defense doctrine and strategy, such as political science, sociology, international law, psychology, ethics, and others, since today in both the West and the former East, the list of the top military-political strategists increasingly includes, in addition to military experts, academicians, university professors, philosophers, historians, sociologists, political scientists, and other civilian experts, for the simple reason that with the expansion of the content and dimensions of war, war and defense against it have become complex social phenomena that encompass all spheres of human life, from production to art.

Everything that has been stated only represents a pale picture of the complexity of the problems regarding the selection, construction, and formulation of the Republic of Macedonia's doctrine and strategy and its defensive organization.

Monetary Reform, Black Market Viewed

93BA0646A Skopje PULS in Macedonian 11 Feb 93
p 13

[Report by Vasko Eftov: "Rose-Colored Denars"]

[Text] *The governor of the NBM [National Bank of Macedonia] "guaranteed" that the denar will not be devalued for at least another two weeks. As is usually the case, the black market takes no account of such promises.*

Looked at from the seventh floor of the building of the Macedonian Electric Power Utility (which houses the Ministry of Development), the economic view of the Republic looks relatively rosy, at least according to the macroeconomic projections for the year, as formulated by that ministry. Among others, this projection predicts an inflation of 104 percent and, together with the inflation carried over from last year, of a total of 230 percent. Compared to last year's inflation, this indicates a drop by a factor of about 20. We take off our hats to the projected inflation, for since the time of Ante Markovic, the people could remember as a period of true well-being such a low rate of inflation that, in our case, amounts to no more than good wishes.

Meanwhile, at last week's press conference held by the government, Petrus Stefanov, the minister of the economy, who reported the overall view of the government, the macroeconomic program was described as excessively optimistic. However, he added the fact (everything seems to indicate that added facts in our country are a trend) that in life one should nurture some kind of hope, although this one may be overly optimistic. A hope for whom? For the government? But is not the government aware that the program is overly optimistic? Therefore, what remains is the population! Yes, but there is relatively little difference between a policy of

providing excessively optimistic hopes and lying to the population as a political body by making to it political promises. Unless we are lulling ourselves, so far the public statements by Prime Minister Crvenkovski were firm: Unlike previous governments, this government would not "sweeten" the truth by lying to the population by making rosy projections. But what is happening now!?

There is an interesting coincidence between the adoption of a macroeconomic policy for the year and exceeding the new limits in price increases for gasoline, heat energy, and water. The "adoption" and the "exceeding" took place within the same governmental session. Therefore, within a single session the government adopted a program that anticipates an annual increase in inflation of about 6 percent (in the first few months, about 10 percent) while setting new prices of some strategic goods. In this case, a 50-percent gasoline price increase increased inflation by 2.3 percent, not counting the chain reactions that will be triggered by such an increase. In this context, let us not forget last month's increases in the rates of electric power and bread.... These are increases with which, from the very start, the government depreciated its macroeconomic program, bearing in mind that the January inflation rate was about 15 percent as compared to the planned 10 percent, and that the inflation in February will be similar. On the other hand, the producers are not all that satisfied with the price increases and have already attacked the new price mathematics. What this means is more than clear, for so far the lobbying by producers concerning the formulation and implementation of the government's economic policy has proved to be exceptionally efficient, at least for the producers!

However, it is the announced and expected devaluation of the denar that is expected to ensure the implementation of the macroeconomic policy. Circles close to the government leaked some 10 days ago the information that a devaluation of about 30 percent was being prepared, to be followed by the correction that the devaluation would be of about 50 percent. It is true that Borko Stanoevski, the NBM governor, denied such "speculations," guaranteeing that in the next 10 to 15 days no devaluation should be expected. The deadline is next Monday. However, there was a reaction on the part of the always well-informed black market, where, after several weeks of quiet, the German mark jumped from 1,200 to 1,460 denars. Actually, the devaluation is unavoidable and the only question is for how long will the government be postponing it in order to keep some kind of peace in its own house. So far, the official rate of exchange has always followed the price of gasoline or vice versa. Knowing that the price of gasoline would be increased by 50 percent, we could expect the revaluing of the mark by about the same rate in terms of the denar, making it worth about 1,150 denars if some kind of official price of gasoline of about 1.10 marks is reached.

According to the economists, the government is stubbornly maintaining a low level rate of exchange with a view to avoiding chaos in the purchasing of public

property. Nor should we forget the fact that a 50-percent devaluation would lead to an increased inflation rate of 10 to 15 percent. Those same economists, however, think that within a very short time the government will be forced to devalue the denar, for because of a low rate of exchange it is reducing its own fiscal revenue, above all customs fees.

Actually, of late devaluation has exclusively led to an increase in customs-fiscal results, for, as it is, it is the black-market rate of exchange that prevails in the economy. Therefore, there will be a devaluation, but first we must identify the culprit, as was the case with the last devaluation. The government discovered that it was caused by changes in rates of exchange on the world markets. Meanwhile, the government set a semifloating rate of exchange of the denar, thus hurting itself for it lost the trump card it held by revealing its culpability in the devaluation the changes in the world markets. It will blame as being the culprit some sort of commission, as it did in the case of the restrictions of electric power.

Such increases and the expected devaluation have a "good side" as well. Naturally, the government has created conditions for applying more restrictive anti-inflationary measures, for ever since the fall of the Kljusev cabinet inflation increased substantially. On top of this, as early as one month ago, the deadline for the implementation of its anti-inflationary program, i.e., for the additional steps involved in the stabilization policy—a term on which the government insists—expired. Actually, hiding behind such verbal juggling are some real differences. They involve the introduction and implementation of a restrictive anti-inflationary policy with set deadlines within which specific results are to be achieved. Most frequently, it is a question of a period of six months, in the course of which inflation is supposed to drop to nearly zero. The additional steps stipulate, to begin with, improvements of a specific situation, to be followed by ever more all-embracing and restrictive steps. By accepting the implementation of additional steps, the government has given itself a four-month "freer" way of life, which is now being extended.

However, from circles close to the government as well as informal discussions with economists who participated in the drafting of Kljusev's anti-inflationary program, and much less in the present additional steps, news is reaching us according to which in the forthcoming period as well the government will not draft a more restrictive and more consistent anti-inflationary policy. This means that in the future as well we should expect a program similar to the present additional measures. But then why should the government change them, after Prime Minister Crvenkovski has stubbornly pointed out that the additional measures have yielded excellent results. Thus, in the last four months of 1992 the inflation was 16, 21, and 11 percent and, in December, 18 percent, which was below the projected steps requiring additional measures. In September, the final month of the previous administration, inflation was about 8 percent. Without entering into an argument with

the prime minister, let us merely note that if this year inflation increases, which seems likely, we should expect by the end of the year a major inflationary increase of about 1,000 percent. Would this be considered a good result by anyone?

Whatever the case, the results are not good. However, it would have been hard to expect of the government to undertake more aggressively the implementation of the macroeconomic plan. It had used too many different tactics in the past to be able now, all of a sudden, to turn into a fighter. This means that in the future as well we shall be listening to statements according to which the increase in the rate of inflation of 10-15 percent is not all that high, that the spring crop sowing campaign is about to take place, the economy is in a state of chaos, there is a blockade from all sides, we are tracking the purchasing of agricultural commodities..., with the general conclusion that greater economic restrictiveness is impossible! To sum it up, the governmental tactic of "playing at indecision" will continue to be used. Nonetheless, the government will be seeking its victory on the political level or, more specifically, via the eventual international recognition.

Restrictions on Poppy Cultivation

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[Article by F. Josifovski: "Neglected Industrial Crops"]

[Text] *Why that which we can produce ourselves is imported.*

Macedonia has excellent climatic and soil conditions for raising industrial crops such as poppies, sunflowers, tobacco, cotton, rapeseed, and sugarbeets, and they must not be abandoned. The producers from the private sector seek to change the old (Yugoslav) regulations concerning raising poppies, from which the highest quality morphine sought on the world market is obtained, without limitations and obstacles.

The fall planting in Macedonia covered 188,107 hectares, of which 76,082 were in the public sector and 185,590 in the private sector, which amounts to 90 percent of the planned areas. However, few industrial crops—poppies, rapeseed, and sugarbeets, sunflowers, and so forth—have been planted. Again, not one hectare of soybeans, from which high-quality oilcake for cattle-feed is obtained, will be planted. Large amounts of soybeans for cattle and hog farms are imported from Bulgaria, Romania, and from the other republics of former Yugoslavia, for which foreign currency is wasted.

According to the data of the Ministry of Agriculture, Forestry, and Water Management, 1,609 hectares were planted in poppies in the fall planting, including 823 hectares in the public sector and 786 in the private sector. Poppies are the source of morphine, which is sought in the world markets and from which foreign currency is obtained.

Professor Dr. Tsvetanka Najchevska of the Agriculture Department says that poppies are an industrial crop which is successful in Macedonia because of the favorable climatic and soil conditions, especially in the area along the Vardar. Poppies have been raised in Macedonia for centuries and have a tradition. It is known that the highest quality opium that is used in the pharmaceutical industry, in medicine, and in other branches of industry is obtained from Macedonian poppies. It is incomprehensible that this crop is barely represented in the fall planting in both the public and the private sectors.

Dr. Najchevska maintains that the planting plans must be corrected because there is no livestock raising without soybeans. Currency is wasted for importing oilcake, but we have ideal conditions for producing industrial crops such as poppies, soybeans, and oats, which are indispensable ingredients in livestock feed. These industrial crops can be exported from Macedonia, and not imported to waste money.

According to the tentative plan for the spring planting, 217,550 hectares will be planted in cereal and industrial crops, 185,590 in the private sector, and 31,964 in the public sector. The industrial crops will be planted on 61,474 hectares, the bulk in sunflowers—33,532, in sugarbeets—3,447, and in tobacco—22,900, and so forth. Cotton is not represented at all in the spring planting, and the producers are not interested in this industrial crop, although the textile industry has a great demand for cotton. Macedonia imports 20,000 metric tons of cotton every year, at a cost of \$40 million. Cotton is a strategic crop that has not been represented in the plans and the programs of the agricultural organizations, even in the private sector, in recent years. Sugarbeets, likewise, are decreasing, and there is no interest among the producers, although there is a guaranteed sure sale and disposal of the crop from the Bitolski Sugar Factory. This crop will be represented by 3,447 hectares.

Dr. Tsvetanka Najchevska maintains that Macedonia has excellent climatic and soil conditions for industrial crops, such as poppies, sunflowers, tobacco, cotton, sugarbeets, and rapeseed, and they must not be abandoned; on the contrary, the producers must be stimulated to raise them in the fields. Then we will have our own production in greater amounts and we will not import oil, sugar, and cotton, and waste foreign currency.